A CASE STUDY: STRATEGIES FOR A MEDIUM SIZE CONSTRUCTION COMPANY GROUP:

TAVŞANOGLU GROUP OF COMPANIES

MBA THESIS

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January, 1996

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By

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January, 1996

I certify that I have read this thesis and in my opinion it is fully adequate, in scope and in quality, as a thesis for the degree of Master of Business Administration.

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ABSTRACT

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Master of Business Administration

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In highly competitive environment of construction industry, analysis of the industry, designation of the trends and synchronizing them with activities of a construction company is essential for the survival of the company.

The main purpose of this thesis is to develop strategies for a medium size construction company group: Tavşanoğlu Group of Companies. In doing that, the construction environment and how it behaves is explained with historical, economical, legal and competitive dimensions with the structure of the industry and trends in the industry. As being a case study Tavşanoğlu Group of Companies; which is operating in domestic market is introduced and its activities are explained. Generic strategies and market opportunity matrix is proposed for Tavşanoğlu Group of Companies with an appropriate structural model and supporting systems.

Keywords: Turkish Construction Industry, Turkish Construction Companies, Tavşanoğlu, Business Strategy.

ÖZET

İNŞAAT SEKTORÜNDE FAALİYET GÖSTEREN ORTA ÖLÇEKLİ BİR ŞİRKETLER TOPLULUĞU İÇİN STRATEJİLER

TAVŞANOĞLU ŞİRKETLER TOPLULUĞU

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İnşaat sektörünün rekabetçi ortamında, sektörün analiz edilmesi, sektörün eğilimlerinin belirlenmesi ve tüm bunların şirket faaliyetleri ile senkronize edilmesi inşaat şirketinin varlığını sürdürmesi için çok gereklidir.

Bu çalışmanın ana amacı inşaat sektöründe faaliyet gösteren bir şirketler topluluğu (Tavşanoğlu Şirketler Topluluğu) için stratejiler geliştirmektir. Bunu yaparken inşaat sektörünün yapısı, sektördeki eğilimler ve inşaat sektörü ortamının tarihi, ekonomik, hukuki ve rekabetçi boyutları ile nasıl özellikler gösterdiği anlatılmıştır.Bu çalışmanın vaka çalışması olmasından dolayı, Türkiye pazarında faaliyet gösteren Tavşanoğlu Şirketler Topluluğu tanıtılmış ve faaliyet alanları anlatılmıştır. Topluluk için uygun olan jenerik stratejiler oluşturulmuş ve pazar-fırsat matriksi sunulmustur. Bununla birlikte, belirtilen stratejilerin uygulanabilmesi için gerekli yapısal model ve destekleyici sistemler önerilmiştir.

Anahtar Sözcükler: Türk İnşaat Sektörü, Türk İnşaat Firmaları, Tavşanoğlu, İş Stratejisi.

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CHAPTER I

INTRODUCTION

Construction has always been the largest single sector in every country in the world, once there is any degree of industrialization with the development of an infrastructure. From then on it has been a vital sector in the country's economy and its prosperity is a measure of the economic progress of the country. The construction sector normally constitutes between 7 to 15 per cent of a country's GDP. Since construction sector is still labor intensive, despite ever-increasing mechanization, its contribution to employment is substantially larger than such a percentage first indicates.

Construction sector has an important role in the Turkish economy as its share in the GDP at constant prices is around 6 % and together with other sector supplying inputs, its role in overall economy reaches 40 %. Further more, construction sector has a share of 10 % in the employment, 50 % in expenditures and 24 % in taxation.

The purpose of this study is to develop a strategy for a medium-size construction company. Strategy is important for construction sector and it should be investigated both in industrial and company basis. Strategy may exist at a number of levels in construction company. Corporate strategy; concerns decisions about the organization as a whole. Business strategy; concerns how an organization should compete in a particular market such as building construction, infrastructure projects and other civil engineering activities. Operational strategies which concern decisions made by individual department head or project manager, such as

estimating, buying, and plant purchase, which influence the performance of the company as a whole. This study focuses on corporate and business strategy.

The task of the strategic planner in a construction company is to synchronize the company's activities with those of the construction environment. Strategic decisions are so complex because the environment is frequently uncertain and it is characterized by high cyclicality.

There are three elements to consider:

- The construction environment and how it behaves ,
- The construction company and what it does,
- The boundary between the two.

This study seeks to explore ways of managing the relationship between the construction company and the environment which includes social, legal, political, economic , competitive and technological dimensions.

A case study is done on Tavşanoğlu Group of Companies which is composed of four in-group companies and two participation companies. The author of this study will act as a strategic planner for Tavşanoğlu and synchronize the company's activities with those of the construction environment in Turkey and in other possible markets.

In chapter II structure of the sector is explained in detail; the actors of the sector are introduced, special characteristics of the construction sector and general trends in the sector are exhibited to make the reader more familiar with the sector.

In chapter III, the construction environment in Turkey is explained with historical, social, economical, legal and competitiveness dimensions. The boundary between the environment and construction companies is explained. Classification of construction companies according to their size and organizational development is introduced. Within domestic and international competition; the competitiveness of Turkish construction industry is analyzed together with the market trends.

In chapter IV, Tavşanoğlu Group of Companies is introduced and what its operations are explained. The history of Tavşanoğlu Group, its companies , projects undertaken, organizational strategy, clients, competitors and current strategy of the group of companies are introduced in this chapter.

In chapter V, framework for construction industry based on Porter's Industry Structure and SWOT analysis is exhibited in details.

In chapter VI, strategies for Tavşanoğlu Group of Companies is proposed. A market opportunity matrix for Tavşanoğlu Group of Companies is introduced. Market penetration, market development, product/service development and diversification strategies are explained with an appropriate structural model for the application of these strategies in rapidly changing construction environment.

The over all evaluation of this study will be done in the conclusion chapter.

CHAPTER II

THE STRUCTURE OF THE CONSTRUCTION SECTOR

Construction industry is amorphous and diverse which makes it difficult to define. So the definition of the construction should be done initially:

Construction is defined in Order XX of Standard Industrial Classification as follows:

" Erecting and repairing buildings of all types. Constructing and repairing roads and ridges; erecting steel and reinforced concrete structures; other civil engineering work such as laying sewers, gas and water mains and electricity cables, erecting overhead lines and line supports and aerial masts, extracting coal from open cast workings, etc. the building and civil engineering establishments of government departments, local authorities and New Town Corporations and Commissions are included as well as on-site industrial building.

Establishments specializing in demolition work or sections of construction work such as asphalting, electrical wiring, glooring, glazing, installation of heating and ventilating apparatus, painting, plastering, plumbing, roofing, the hiring of contractors plant and scaffolding is included. This Order includes construction work carried out by employees of gas, electricity and water undertakings. "(Burgress, et al., 1973)

2.1 Profile and Structure of Construction Sector

Variability of demand in many ways shapes both the nature of the sector and the companies which operate in it. The first point to note is that the construction sector, unlike most others, is not a single sector but it is made up of several different market areas. For purposes of classification it can be divided into four areas:

- Building
- Civil engineering
- Repair and maintenance
- Materials manufacture

In the following sections profile and structure of construction sector will be investigated in several dimensions and in this respect above classification will developed and detailed.

2.1.1 The Actors in the Sector

The structure of the sector varies from country to country, and in no country is there a clear division of companies into activity sub-sectors, but it is useful to consider the sector in terms of the following interest groups:

clients and investors

constructors:

general contractors (building and civil engineering)

general building contractors

civil engineering contractors

engineering construction contractors

specialist housebuilders

craftsmen and very small construction companies

specialist contractors and subcontractors and their immediate suppliers

manufactures:

prefabrication and subassemblies

manufactured components

construction materials from extractive and process industries

services:

design and management professions

research, control and standards bodies

the labor force.

2.1.2 Special Nature of Construction Sector

Although the construction industry is essentially a service industry, whose responsibility is to convert plans & specifications into a finished product, it is exceedingly complex and highly individual in character. The construction sector is very fragmented. There are number of factors that cause this resulting from the diversity of customers, technology, projects and market sectors.

Table 2.1 Principle functions performed in the manufacturing and construction industries

Manufacturing	Construction	Principle of Function
Marketing	Estimating	Identification/creation of markets, and selling of end-products
Production	Construction	Organization, movement and assembling of various materials, components, etc.
Purchasing	Buying	Acquisition, bulk or otherwise of production materials and components for project or inlieu project
Source: Newcombe (1976)		

2.1.2.1 Variety of Customers

The construction sector is fragmented because of the particular requirements of different types of customers. In general, the demands of customers for early completion, reliable quality, value for money, control over internal environments and standards of comfort, have increased over time. In addition to that, society at large has legitimate requirements of the construction industry which also have steadily become more demanding over time.

Customers are classified as follows;

- First category is small companies or individuals who have a problem that can be solved by simple construction work, e.g. repairs, maintenance or alterations. This category wants a guaranteed service provided quickly with minimum administration and at a fixed price.

- A second category of customer needs more substantial construction work but is not an expert in construction matters. This group needs professional advice that they can trust. They want to involve in determining the design, the price and the schedule, but beyond that they want the work to be carried out quickly and reliably for a fair price and established before they are committed to the work. This group wants a simple, clear contract and a guarantee that the finished work will be satisfactory.

- A third category of customer who needs construction work is experienced in employing an appropriate mixture of consultants and contractors to provide what they want. They tend to determine contract conditions to suit their own ways of working and to buy specific services to suit the needs of individual projects. They often build deliberate long term relationships with consultants or contractors. Included in this category are many clients in the public sector and utilities who are required by the Public Procurement Directives to organize competition among suppliers.

2.1.2.2 Technology and Choice of Technique

Technology, as a concept, is subject to variety of interpretations. Edquist and Edquvist (1979) provide a useful working definition:

> "Regarding technology,... we follow the tradition of using it in more vague and comprehensive sense, including, besides techniques, also immaterial aspects, such as technical know-how, management, organization of work, etc."

Construction technologies can be classified as either "hard" or "soft"; hard technology being related to product and production as physical entities, and "soft" technology to systems and processes. "Hard" construction technology is related to the product, its associated materials and components and the techniques of production, while "soft" technology is related to the wider environment, which conditions the conditions in the construction process. (Drewer, 1989)

An important factor in shaping construction industries is that modern buildings and other constructed facilities make use of a multitude of specialized technologies which provide individual elements of these facilities. Many of these specialized technologies require the coordinated work of a long series of companies to transform basic raw materials into the elements of buildings and other constructed facilities.

Construction projects use many separate technologies and because the industry relies on one off designs, each project brings many specialized companies together to form a unique project team. Therefore, in addition to individual specialized technologies, the industry uses technologies that help to create an overall design and management framework for individual projects.

"Running through the different kinds of individual developments are strong trends that are changing the character of construction. Computer-aided design (CAD) systems are gradually integrating traditionally fragmented processes. Prefabrication is moving work away from construction sites to factories. At present this is mainly 'light prefabrication' of subcomponents such as building frame members and modules like toilet pods, but discreted

large-scale building systems may again become viable using CAD and flexible manufacturing technology."(WS Atkins International Limited, 1994)

Consequently, the construction industry's technologies range from traditional, labor-intensive, site-based crafts to sophisticated industrialized technologies in CAD systems and the control systems in intelligent buildings.

2.1.2.3 The Variety of Projects

In addition to dealing with a great variety of technologies and different customers, the industry has to deal with demand that is made up of individual projects which are geographically dispersed and different in size. Most projects are very small, but a significant portion is medium-sized. A significant portion of the total value of construction demand is provided by a relatively small number of large projects. As a result of geographical spread and size distribution, construction demand is divided into separate local, regional, national and international markets, each of which tends to be served by different companies.

2.1.2.4 End- Products Sectors

Demand is also differentiated on the basis of function of end-product. Thus, housing, industrial and commercial markets, general building, repairs and maintenance, civil engineering and heavy engineering all provide separate markets which are served, to a large extent, by distinct set of companies.

Each of these factors; customer demands, technology, geography, size and function of constructed facilities tends to create separate market for construction companies. An important fact of life for most construction industries is that the level of demand in these separate markets fluctuates unpredictably, even when total national construction output is relatively steady.

This fragmentation enables severe competition for work - even in boom times - and ease of entry into the industry.

2.2 Small Middle Enterprises (SME) Versus Large Contractors

Construction activities are dominated by a large number of SME's with a very long tail of very small business in most of the countries. The number of companies of contractors and employees in construction sector in Europe is shown in Table 2.2. The data include some self employed persons but not all, depending upon whether these are considered to be one-person enterprises or casual employment.

Table 2.2 Employment and Number of Construction Enterprises (NACE 500), EC 12 (1988)

Size of Company (Employees)	Number of Companies	% of Companies	Number of Employees	% of Employees	% of Total Turnover
0-9	1700797	92.8	3512969	43.3	36.1
10-19	76618	4.2	1025263	12.7	12.4
20-99	48695	2.7	1820354	22.5	24.7
100-199	3543	0.2	492320	6.1	7.2
200-499	1585	0.1	483257	6.0	7.5
500+	585	0.03	761345	9.4	12.1
All companies	1831822	100.0	8095509	100.0	100.0

Source: Commission/Eurostat, Enterprises in Europe, Second report, 1992

There are a number of distinct types of SMEs:

- Small general contractors, in either building or civil engineering, working in a local market or a specific market sector. There are really medium-sized companies in context of construction. They may have several or many contracts, and use a network of

subcontractors and self-employed craftsmen. Such companies have a certain stability, but they may be family companies, whose life is limited by the active life of their managers.

- Special contractors, mainly in the finishing trades but also specialist structural work, such as roofers, piling contractors, glazing companies, painting contractors, who may operate over a wide geographical market. These, if successful will grow and may become quite large, or they may be taken by larger groups.

- Self-employed craftsmen who may be properly registered as small companies. They and may work with family members or by casual help.

- Opportunistic starts up by individuals or partnerships who are made redundant or seek more independence than they have when working for a larger company, or by craftsmen expanding their range of activities. In some countries these companies are strongly favored by advantageous social security and other wage related costs for independent workers. Some of these may only last a short period because they are unsuccessful or because the owners voluntarily cease trading go back into employment.

- One-off companies set up for tax or reliability reasons by larger companies to develop a single project. There may be a very large number of these which cease to have any life after the end of project.

Some types of very small companies can be highly innovative, namely those specialists set up to exploit a niche market or new processes, but these are a minority. The dominance of the industry by very small companies is a real obstacle to the coordination, promotion and dissemination of research. Positive measures need to be taken to assist those companies to improve their performance, quality and productivity, by providing better access to training and information about new products, techniques and procedures.

The problems of small companies are mainly related to :

- training;
- information availability;

- management time and ability;
- payment problems, delays, and financing costs.

The number of small companies and self employed persons increased in the late 1980's, but fluctuates with the cycles and has a high turn-over of entrants and windups. There is, however, a dynamic process by which very small companies are formed; some grow to medium-sized, and some medium-size companies either breakup into smaller ones or as assimilated into large companies. These experiences of individual companies do not necessarily in aggregate indicate a change in industry structure.

2.3 Subcontracting in Construction

Construction work, in its conventional form, employs an intensive technology (Thompson, 1967) and requires the contribution of variety of trades. Most construction companies obtain business by submitting competitive bids for projects with owner determined specifications. Because of custom building it is very difficult to predict the nature of future work and input requirements. The site conditions, availability of resources in the local environment in which the project is carried out.

Subcontracting emerges in construction as a popular response to cope with these uncertainties. Availability of subcontracting enables the general contractor to retain flexibility and to cope with the "balancing of components" problem under certain demand (Thompson, 1967) conditions. On the input side, subcontractors constitute a network of boundary-spanning organization (Astley and Van de Ven, 1983) for the main contractor.

Through the process of construction subcontracting, specialized skill and expertise can be brought to provide the best work at the most reasonable price. The network of subcontractual arrangements also spreads the substantial risk of a construction project. With those benefits, however come burdens.

The introduction of multiple subcontractors necessarily complicates project administration. The burdens of coordination are increased as more parties are involved. As risks are spread to more parties, responsibility for execution of the work is also segmented. If

one subcontractor fails to perform, other subcontractors have are not responsible to pick up the slack and mitigate the effect of that failure on the project. On the contrary, performance failure by one subcontractor generally serves as a catalyst for claims by other subcontractors impacted by resulting disruption.

Extensive subcontracting potentially can add unproductive costs to the work through an additional layer of markup for overhead and profit. These costs are compounded when sub-subcontractors on their own percentages of markup. Because low price is most often the determining factor in contract award, the natural forces of a competitive market will generally restrict excessive markups in the initial contract prices.

Sometimes the perceived advantages of subcontracting can be so appealing that a general contractor in effect seek to subcontract out the entire project and avoid performing any of the work in the field. In such a situation, the general contractor acts as little more than a broker between the owner and subcontractors. Removal of the general contractor from so much of the project frequently results in a lack of attention by the general contractor and an effectively to manage and control the project inability. The risk of an "absentee" general contractor can be grave for the owner, general contractor, all subcontractors, and the entire project. To avoid such risks, some contracts include performance of work clauses that require the general contractor to perform a specific percentage of the work with its own forces, generally between 10 to 15 percent.

2.4 Market Trends

2.4.1 Procurement Process

There are widespread trends towards the adaptation of new construction processes, particularly design-and-build, construction management, and contracting forms.

In general, trend is towards design-and-build or similar methods. This method or methods are used for more complex civil engineering projects (motorways, nuclear stations, etc.) The design-and-build trend has gone furthest in UK, and some considerate has now passed its peak. Nevertheless only a small proportion of project is procured by design-and-

build. In surveys of customers design-and-build accounts for just under 20% by value of construction work in UK. Construction management accounts for less than 5 % and management contracting for a little under 10 %. The rest over 65 % is general contracting with a general contractor and consultant.(WS Atkins International Limited, 1994)

In the building sector, construction management, design-and-build and other turnkey forms respond mainly to the underlying problem that as building projects become generally larger, the technology of construction becomes more complex. This system have some advantages like it reduces time and cost by reducing the cost of coordination and liaison between designer and contractor, and the contractor is able to work with the designer to select the most efficient and most economical method of building.

2.4.2 Construction Methods

Changing technology is generating changes in construction methods which will affect the structure of the industry, the roles of the actors and procurement methods. There are three main factors:

1. Increasing standardization of products and design solutions allied with a greatly extended choice of materials, products and modules.

2. Mechanization and labor saving innovations. This constitutes a process which has already led to most of the work on site being carried out by specialist contractors with special plant. It will continue to lead to reduce demand for unskilled labor and there will be more plant operators and more specialist supply-and-fit contractors including the beginnings of the practical use of robots on site, by reorganizing site practices.

3. More off-site manufacture and prefabrication and less on-site work. This is a consequence of standardization and mechanization. This will increase the importance of manufacturers, with a greater role in design research, training and marketing. As a result, the demand for some traditional crafts will decrease and demand for more flexible erection skill will increase.

The result of above trends will increase the role of consultants who will be in pivotal position. The professions importance from construction management to subcontracting will increase.

As many projects become more complex, a deeper specialization is needed by individual professionals, along with a greater need to work in multi-dicipline teams.

CHAPTER III

PROFILE OF CONSTRUCTION SECTOR IN TURKEY

Construction sector is one of the largest sectors in Turkey with its impressive development. The share of construction industry in GNP was 5.5 % in 1994 and its share in GDP was 6.6 % in 1993. Since construction industry is labor intensive and highly dependent on production industries, it is essential for the national economy and has significant contribution to the employment in Turkey.

In the following sections, a complete profile of Turkish Construction sector will be investigated where political and economic environment, organizational structure of construction companies, competition, internationalization of construction companies, and sector trends will be explained.

3.1 History of Turkish Construction Sector: Political and Economic Background

The development of Turkish Construction sector have parallelism with the modern construction sector, in the form we know it today, started at the end of World War II. Until then construction activity was almost entirely localized. Turkish Construction industry can be investigated in the following periods if the political and economical environment is considered:

1930-1950 Subcontractor Period
1950-1970 Being Contractor and Rapid Development Period
1970-1980 Crisis Years and Internationalization Period

1980- 1990 Neo - Development Period

1990's Cyclic Period

Literature survey shows that the beginning of Turkish Construction sector goes back to 1930's. These were the years after the establishment of new republic and the first Turkish Construction companies were formed to carry out the new infrastructure, transportation, and other new investment as subcontractors.

The post war years and the 1950's were the years that Turkish Construction industry flourished and institutionalised by undertaking jobs created under the ever increasing investment by both public and private sectors. (Işıl,1994) This was the years that Democrat Party government was in charge. In 1950- 1970, rapid development period, the aid of US government (Marshall aid) and other development funds were the source for investments. In this period, Turkish subcontractor companies become contractors and most of the largest Construction companies formed and developed.

In 1970-1980 period, Turkish construction companies reached the level of full technical capability in realizing all domestic projects without any need of foreign partners. This period can be analyzed in two parts. First part is early 1970's, ending at 1974, and the second part is late 1970's.

During the 1970's, external and uncontrollable forces had a major impact on the operations of Turkish construction companies both regionally and nationally. An expanding consumer and institutional market and an increasing demand for manufactured products in Turkey typified this time period. Turkish construction companies tried desperately to meet the huge demand for private housing as well as for public sector industrial projects. During this period, the country achieved an average of 7 % growth rate, one of the highest rates with in the OECD countries.

Another good news was in human resources in those years; many civil engineers and architects who were graduated from the Turkish universities took place in construction engineering such as dam building, irrigation projects, airports and harbors.

Rapid growth in the first part of this period ended after the 1974 Turkish-Greece Cyprus War. In contrast to rapid growth during the first period, the economic environment of the mid-1970's posed enormous challenges to the construction industry. In this period, the housing sector, which is the backbone of construction industry slowed down in public and private housing demands due to credit facility limitations and government cutbacks. Due to this slow down Turkey's GNP also declined in real terms during this period.

The construction industry had at its disposal large machine capacities, easy access to building materials at home and a pool of well trained work force. It also had a pool of young engineers and managers who had considerable managerial and technical competence, but had no work. These prevailing macro economic forces in Turkey around the mid 1970's, motivated construction companies to look for market growth opportunities overseas.(Kaynak and Dalgıç,1992) Those markets were Middle East and North African countries which had just initiated large scale infrastructure investments that were financed by their immense oil revenues which were generated by the great increases in the world oil prices.

The military coup in 1980 was the milestone; until that time, the country faced serious economic problems with an increasing rate of inflation, declining exports, increasing imports and unpaid foreign dept.

1980's were the years that Turkish economy underwent a period of sustained high GNP growth (5-7%). This was a new trend; such that domestic market become attractive for the Turkish contractors and construction companies with the rapid industrialization and increase in construction activities. Large tenders were proposed by the public sector for improvement of transportation and telecommunication in Turkey. Most of the motorways, Second Bosphorous Bridge and dams of GAP (Southeastern Anatolian Project) were completed in this period.

These were the years when leading Turkish construction companies established many Consortium, Joint Ventures with their western counterparts to bid for second Bosphorus Bridge and large highway projects. This fruitful period for domestic market ended at the beginning of 1990's. The expansion of domestic market was a good opportunity for Turkish

construction sector who had problems in foreign markets; especially in North Africa and Middle East.

Economic growth slowed down in 1991 due to the Gulf War and crisis. This crisis had a direct effect on economy; export of goods and services declined, public fixed investment slowed down in the areas of energy production, public housing; etc. After the war Turkish construction companies thought that they could take shares in the reconstruction of Kuwait. But this opportunity was not utilized by Turkish construction companies.

The scenario was like market growth case of 1970's. The decline in domestic market and in the Middle East and North African markets coincided with the initiation of the natural gas barter deal between Turkey and Soviet Union. With the social changes in Eastern Europe and USSR, USSR has opened its construction market to Turkish contractors for such projects as hotels, health centers, hospitals, trade centers, housing and industrial facilities.

During 1990 and 1991, Turkish construction companies have also been interested in the housing projects planned to be built for the Soviet military personnel returning from former East German territory. This housing project cost $ 5 billion and financing was provided by the German Government. As a result of an international bidding Turkish-Finnish consortium has won the first part of the contract. It was a great success for the Turkish construction sector and opening of the CIS market.

With the first years of this decade, Turkey has established close relations with the Turkish Republics of Central Asia. Today, along with the Russian Federation, Turkish Republics constitute the most important foreign markets for Turkish Construction companies. Additionally, Turkish contractors have undertaken several projects in Eastern Europe, Germany and Baltic Republics.

During this period domestic market was not very suitable for large construction companies since public investments were very low. The only construction movement in this period was resettlement of Erzincan City after the 1992 Earthquake with the financing of World Bank Credit and consultancy of World Bank and Prime Ministry Housing Development Administration.

The financial crisis in 5th April 1994 has also a negative effect on Turkish economy. Turkey has suffered from a trade deficit as well as a high level of foreign debt. Increasing foreign borrowing pushes Treasury to domestic capital markets hence the interest rates increased. As a result bankruptcies, incomplete projects have increased in the construction sector.

With the realization of the Customs Union at the end of 1995, the construction sector started to think positively in the new unclear environment.

As a result the process which we call adventure of Turkish construction sector could be explained by a graphical chart 'Evolutionary Internationalization Process of Turkish Construction Companies which could be seen in the Appendix A.

3.2 Current Political and Economic Environment: 1994-1995

In general, construction industry is characterized by high cyclicality with high level of sensitivity to interest rates. Although construction activity in Turkey is generally unlevereged and operates on a cash basis, to the extend the high T-bill rates disintermediate funds away from investments in real assets. Other major influences on construction activities are government policy (i.e. fiscal policy, public sector investments, housing development projects and issuance of building permits) as well as major political changes and macroeconomic variables. (Talkington and Uzay, 1995)

Turkey has traditionally suffered from a trade deficit as well as a high level of foreign debt. Increasing foreign borrowing pushes treasury to domestic capital markets hence interest rates increase or the Central Bank prints money to close the deficit. Then public sector wages and the Government Debt-Servicing increase. For the case of private sector, inflation pushes up the costs and adversely affects the equity markets. (Giritli, 1990)

In 1994, Public Sector budget for new construction investments and payment for current projects were very inadequate. This is the chronic problem of Turkish construction sector, and conditions become worse every year.

In 1994, investment budget for new projects and payment for current projects was 68 trillion TL. but this amount has decreased about 20%. Since this budget is not adequate for the capacity, so discounts were very high for the tenders of new projects. This means that contractors have to do their contract for fixed low prices. The 5th April Stability Program includes two devaluation of 14% and 48% which creates sharp increases in all prices especially for construction materials. This has a negative effect on both old projects and new projects which have high discount rate. As a result the summary of 1994 was;

- Public investments and public payments were very low.
- Payments to the contractors were very slow, and this brought an unclear environment.
- Price increases were above the expectations and projects which had fixed-price contracts were impossible to continue.
- New taxes; Economic Equilibrium Tax, Net Asset Tax are not fair for contractors since these tax are not taken from their payments from the contracts.

As a result of these negative developments, construction companies became smaller; employment rate decreased and shifts to other sectors increased.

In 1995, public investments had a budget of 48 trillion TL. It was smaller than the amount of 1994 which was 68 trillion TL. If 1994 inflation rates are considered as 125-150%, 1995's budget is 22 trillion TL. for 1995 and 1/3 of 1994 in real values.

The inflation rate for 1995 was 71.65-83.8 % and it was three times larger than the targeted value which indicates that targeted values are not realistic. So the future strategies must be formed according to this position.

Growth rate in 1995 was 7.9% for the first nine months. Where as it was -6.1% in 1994. It seems to be good in 1995 but it has no positive effects on Turkish Construction Sector. The construction sector in 1995 can be summarized as follows:

- Investment payments are decreased by 50% and unused capacity in construction sector increased.

- Higher discount rates in public bidding increased and difficulties in completion of projects on estimated time appears.
- Environmental sensitivity has increased which causes project costs to be increased.
- Customs Union is realized.

Political environment for 1994-1995 was not stable. Especially after the 24 December Elections, the political unstability increased. This unstability has negative effects on economic decisions and which brings an unclear environment for construction sector as well as other sectors and decrease in investment rates of private sector.

3.3 Legal Environment

Bidding law and construction contracts form the legal environment for the construction companies.

In public sector; competitive bidding, where as in private sector negotiation is generally preferred. The bidding in public sector is generally regulated according to the law no. 2886. According to this law; the lowest bid is preferred by the related organization. This application has some problems since the company who proposes the lowest price is not suitable for the project; the result is inefficiency, delay and unreliability. On April 17 1994, it was declared in the Official Paper that 'Appropriate Pricing' would be the basis for the awarding job.

In some government institutions where law no.2886 is optional. Bidding is limited to 30 % of Government cost estimates. Then every contractor automatically discounts for 30 %. Contracts are awarded on the basis of financial strength, reputation and reliability rather than competitive bidding. Contractors are graded according to these criteria and the one with the highest point gets the contract. However this is only applied in domestic bidding. Politics and lobbying activities play important roles in getting jobs. This shows that there are ethical problems also in bidding part of the construction sector hence there is a lack of social responsibility in most of the companies.

Generally the bids are done on lump sum fixed prices. For larger projects, escalation agreements are common and government regularly announces an inflation price adjustment index. (Giritli, 1990)

Other types of bidding are being applied in recent years. The most popular ones are BOT (Built Operate Transfer), turnkey projects, and design and build. The most popular and useful one is BOT since it also includes financing. BOT minimizes the government capital investment and it is a potential formula to transfer foreign direct investment to Turkey.

As it is indicated above the most negative side of law no. 2886 is proficiency problem. The Ministry of Public Works and Resettlement, most of the ministries and other related public organizations have some classifications for the proficiency. The most important document is contracting license, but it can be obtained by anyone who rents it for some period. Other document is the technical proficiency certificate which includes the criteria; work experience, machinery park, technical and management abilities, financial position.

There are mainly three categories in contracting license: group A; large technical projects, group B; medium and small projects; and group C; electrical and mechanical projects. The construction companies' capability and size can be analyzed according to these contracting license but this classification deviates due to the rental procedures. The most popular and most valuable contracting certificate is 'Unlimited Group A Contracting Certificate'.

Bid bonds and performance bonds are the necessary things to satisfy financial capability procedure and to obtain a job. The bid bond and performance bond rates are different in all organizations but the rate for bid bond is 3% of Bid value and the rate for performance bond is 6% of Contract value. The commission for that bonds are big financial burden for Turkish Construction industry.

3.4 Classification of Turkish Construction Companies

A simple way to outline the nature of the industry is to define it by output and by the number of companies operating it. Indeed, the 30.000 heterogeneous and fragmented companies undertaking some 6% from the GNP every year are one way of defining the

industry. (Talkington and Uzay, 1995) The workload undertaken by these companies typically includes general construction and demolition work, construction and repair of buildings, civil engineering works and installation of fixtures and fittings. This work is undertaken by a large number of small companies competing for small projects. A small number of large companies competing for the largest projects. This suggest that the construction industry comprises of companies who differ in terms of size and scope. Even within companies there is often a great diversity of activity with different parts of the company tackling specific sub-markets.

As it is in all free market economies construction activities are dominated by a large number of SME's in Turkey. There is high competition among those companies due to their small share in whole construction works.

There are very few large construction companies in Turkey, nearly 60-70, when international figures are considered. The shares of these large companies in total construction business are very high, for more than 80% of domestic market and 100% of contracting services abroad. In 1988 the Turkish construction industry was ranked the eighth largest in the world, just behind Germany. The position of largest Turkish construction companies among the top 250 international contractors is in Table 3.1:

Table 3.1 Turkish Contractors In the Top 250 International Contractors, 1994

RANK	**COMPANY**	**International 1993 Contracts ($ million)**	**Total ($ million)**
74	STFA	435.6	439.6
88	TEKFEN	283.6	730
92	ENKA	250.4	250.4
94	GAMA	245.4	312.4
105	TEKSER	199.4	238.9
160	BAYTUR	53	162.3
Source: ENR 1994			

With the above information, the Turkish construction companies can be classified as follows on the basis of their sizes:

1. Subcontractors
2. Small Construction Companies
3. Medium Size Construction Companies
4. Large Construction Companies

Another classification can be done according to organizational development of companies:

Table 3.2 Organizational Development of Companies

Organizational Type Exhibited	Structural Characteristics	Construction Company Type	Operational Policy Used
Simple	Single Product	Subcontracting	Market concentration
Functional	Single Product and vertical integration	Contracting	Market concentration
Multi-divisional	Related diversity of product lines and internal growth	Management consultancy and turnkey project	Market Expanding
Holding company	Growth by acquisition	Joint ventures	Market Expanding
Multinational (Global)	Multiple products in multiple countries	Multinational company	Market Expanding

Source: Kaynak, E; Dalgıç, T, Columbia Journal of World Business, 1992

3.5 Organizational Structure of Turkish Construction Companies

Turkish construction companies' organizational structure mainly depends on their size, international character and management style but generally they are privately owned and have low capital structure. They have centralized character and there is a lack of institutionalization in most of them. The reason for lack of institutionalization is the limited history of companies and their distance to modern management styles and theories. As it is indicated above the owners are the president manager and founder of the companies and they are in all parts of the business. This is a kind of one man show where other players are not at the stage although it is a team-game.

In the typical management structure of a large Turkish contractor company which works in domestic as well as international markets, there are typically three vice presidents in charge of domestic construction, international construction and administration.

The construction division consists of both an office group in charge of design, estimating and project management and a field group in charge of construction operations. The administration division is divided into three departments; accounting, technical and general affairs.

There are also management and advisory comities. The advisory committee, generally consisting of past government or experienced construction professionals, has the task of giving advice to general secretary in the overall directions of the company. On the other hand, the management committee, consisting of legal, economic and political groups, deal with legal and economic aspects and relations with outside agencies, especially financial institutions and governments.(Tülümen and Tavakoli, 1990)

Only a few large construction companies have human resources departments which are established in recent years. This job is performed by personnel departments which do not have adequate capability. The large Turkish Construction companies are;

Multidivisional Companies

Holding Companies

Multinational Companies (Global Companies)

when organizational types are considered. There are a few multinational companies in Turkey. Most of the large companies are in multidivisional and holding companies status and have investments in other industries such as tourism, banking, machine production, marketing, exporting and importing of several products including construction materials.

Medium-size construction companies are different than that of large companies. Most of these companies do not have management and advisory committees. The owners are the president and general managers of the company and they are in all parts of the job such as; financing, execution of projects, subcontractor management, bidding procedures and, etc. These companies generally operate in domestic market. Only a few medium size companies operate in international markets. So international operation division only exists in the ones which are operating in the international markets.

Medium-size construction companies which are 2.000 in quantity are;

Functional Companies

Multi-divisional Companies

when organizational types are considered. Only a few companies among them operate in other industries such as tourism, production and marketing.

The main problems of medium-sized construction companies similar to small contractors are;

- training and human resource
- information availability
- management time and ability
- payment problems, delays, and financing costs

Small construction companies do not generally have organizational charts. They continue their business with minimum personnel and maximum job definition stability. These companies are generally subcontractors or just small construction companies. Their organizational structure is simple.

3.6 Competition

Construction industry is an illustrative industry that faces both domestic and international competition.

3.6.1 Domestic Competition

Domestic competition is very severe in all sub-sectors of construction industry in Turkey. This is due to the fact that investments and payments are decreasing but number of contractors are increasing. Both in housing and infrastructure projects there are a lot of companies who are competing harshly.

Because of the nature of the construction sector, competition varies by types, whether building or civil engineering. The larger infrastructure projects, mainly commissioned by the government, are won by the larger companies that possess a competitive edge through their ability to handle massive projects. The same reasoning holds true for competition involving international projects, where 100% of international contracts are won by larger Turkish companies. This companies are Enka, Gama, Güriş, Tekser, Baytur and Alarko which also select the international markets as their target markets.

Small and medium-size companies concentrate mainly on buildings , especially in the residential sector. Large companies also compete in the building market for industrial and commercial buildings as well as for housing development projects. Buildings may be commissioned works by an institution or individual other than government, thus securing financing for the project. In this market, bidding requirements are at the discretion of the entity commissioning the work, also involving bid price, estimated completion date, and company reputation. At other times, contractors will build on their own, and sell or lease out space, thus competing on the housing or office space market.

The conditions of the construction environment is so turbulent that most of the companies which are dealing with infrastructure projects attend the bidding of housing projects and vice versa. This means that the contractors already in the field face with a shrinking market.

The competition between small companies are a little different than the other categories. In this category, there is a regional distribution. Every region has its own contractors and there is high competition among them. In the past decades there were limited number of contractors in every region, but in recent years the number of construction companies increased as opposed to a decrease in number of new projects.

One of the advantage of this highly competitive environment is searching for new markets especially in the international arena. Other advantages are tendency to use high technology, to increase quality, lower the cost and differentiate.

As a result it can be said that construction sector is a rapidly changing and highly competitive sector, where the law of the 'survival of the fittest' undoubtedly prevails.

3.6.2 International Competition

The modern construction sector, in the form we know it today, started at the end of World War II. Until then construction activities were almost entirely localized. Construction companies rarely operated abroad. However, the massive destruction caused by the war, both in Europe and the Far East, called for quick and extensive reconstruction. This demand gave birth to the construction sector in Europe and stimulated a very rapid growth of the sector in the United States. Once the reconstruction work in Japan had been completed, Japanese construction contractors, armed with the experience that they gained at home under the supervision of their American colleagues, ventured abroad: first to the Middle East and now to Africa.

There is little international competition in the market segment of constructing small plants, warehouses, offices, and residential dwellings. In large scale projects and sophisticated industrial facilities, there has been a high degree of internationalization of competition.

American companies have historically been the dominant international competitors in both the engineering and construction industries. Even in 1987, US companies accounted for 24.5 percent of the international contracting awards reported by the top 250 international contractors, ahead of Japan (13.4 %), Italy (12.4 %), France(11.6%), the United Kingdom (10.7%), Germany (8%), Korea (2.8%), the Netherlands (1.9%), Switzerland(1.6%) and Turkey (1.1%).

American dominance in construction industry extended into 1960's and early 1970's. By 1960's, however, companies from other nations began to reach a significant size and sophistication. With their local markets beginning to saturate as reconstruction ran its course, companies from Italy, Germany, France, and Scandinavia began to look for export markets. The best of those companies began to achieve some degree of international success.

After this period, Japanese construction companies began to play an important role in international markets. In 1970's the advantage of Japanese companies were using advance process technologies that had been developed in Japanese process industries such as steel. In this period First Bosphorus Bridge in Istanbul, Turkey was constructed by Japanese companies and many of the overseas projects were either constructed or financed by them.

All competitors have different strengths in the competitive environment of international construction sector. Companies from Japan, Italy, Germany, and Scandinavia did well in segments, where home demand conditions were favorable: local buyers were internationally competitive and/or local needs were unusually stringent. Japanese companies are successful in the construction of steel plants, shipyards, earthquake-proof buildings, railways, subways and other mass transit systems, dams and aquaculture facilities. Italian companies did well in road and infrastructure projects, drawing on experienced copying with difficult and varied Italian terrain. German companies did well in constructing chemical and metallurgical based process plants. Scandinavian companies did well in paper plants, dams, ports, bridges and hydroelectric power generation facilities.

The latest entrants into the construction sector on major scale are the Korean, Turkish and Mexican construction contractors, who have the advantage of a highly skilled workforce, low wages and high productivity, relative to their competitors elsewhere in the world. But the scene may change again since both India and China, with their enormous resources of skilled manpower, are now becoming very active in this field.

3.6.3 The Competitiveness of Turkish Construction Industry

When Turkey's competitiveness is analyzed in this environment, it is seen that Turkish construction companies are successful in the areas where their experience is high in domestic market like housing construction, dams, motorways, tunnels airports, harbors, etc.

The distribution of international works of Turkish Contractors Association (TCA) and Union of International Contractors (UIC) member companies on the basis of fields of activity is as follows:

Table 3.3 Distribution of International Works on the Basis of Fields of Activity

Project Type	**1970-1989 PERIOD**	**1990-1995 PERIOD**
Housing	39.23 %	28.90 %
Hotels/hospitals	3.18 %	11.46 %
Buildings	5.97 %	18.07 %
Infrastructure/Sewerage System	12.65 %	6.49 %
Irrigation	3.48 %	2.41 %
Roads/bridges/tunnels	9.13 %	3.93 %
Industrial plants/refineries	5.61 %	18.46 %
Airport/seaport	6.68 %	-
Others	8.37 %	10.28 %
Source: TCA/UIC Documents		

It is observed that Turkey did well in housing in both in 1970-1989 and in 1990-1995 periods. There is an increase in industrial facility and refinery construction as well as in building hotel, and hospital construction. In other project groups there has been a little decrease in recent years.

Due to the developments in the tourism sector, Turkish construction companies to gained experience in hotel construction at late 1989 and early 1990's. So there is a sharp increase in the projects undertaken by Turkish companies in this field.

The geographical break-down of the cumulative work-volume of the members of Turkish Contractors Association whose share constitutes 90 % of the Turkish contractors won abroad is as following:

Table 3.4 Distribution of Works on the Basis of Countries

COUNTRY	**1970-1989 PERIOD**	**1990-1995 PERIOD**
LIBYA	61.51 %	12.74 %
RUSSIAN FEDERATION	2.07 %	53.39 %
IRAQ	10.34 %	-
S. ARABIA	21.3 %	3.47 %
JORDAN	1.5 %	-
KAZAKHSTAN	-	6.57 %
BELORUSSIA	-	3.55 %
TURKMENISTAN	-	4.07 %
PAKISTAN	-	3.32 %
AZERBAIJAN	-	2.67 %
GERMANY	-	2.82 %
OTHER	3.28 % *	7.4 % **
* Other: U.E.A, Georgia, Kuwait, Tunisia, Ukraine, Yemen ** Other: Morocco, Iran, T.R.N.C., Kyrgyzstan, Kuwait, Latvia, Malaysia, Egypt, Uzbbekistan, Rumania, Syria, Ukraine, Jordan.		
Source: TCA/UIC Documents		

If the market trends and shares are analyzed beginning from the year 1990, it is observed that the new star of international market for Turkish companies are Russian Federation and CIS instead of Libya, Saudi Arabia and Iraq. (See Appendix B for details.)

The story thus is a familiar one. The Turkish adventure into overseas construction apparently began in Libya. The quote of Ali Rıza Çarmıklı, Chairman of LIBAS is:

> *"We arrived in Libya early 1975 with noting more than our curiosity and a tourist visa ... we returned with US $ 200 million worth of orders."*

(Stallworthy and Kharbanda, 1985)

Now it is seen that the international market for Turkish construction companies, more than 200, is larger now: there is not only Middle East and North Africa, but also Far East, Eastern Europe and North America.

The competitive advantage of Turkish construction companies in Middle East and North Africa comes from Turks' greater ethnic and cultural acceptability with high technical acceptability. Turkey's breakthrough by virtue of its close link with Muslim neighbors and India may well gain in the near future because of its old friendship with Egypt, and , which now promises to become an important market. This shows the significance of religious and political affinity. This could also be observed in Turkish Republics' case in Central Asia.

Other advantages of Turkish construction companies are highly skilled skilled engineers and workforce who work for less than any equally-skilled counterparts and high productivity. The chairman of Tekfen dares to assert that:

> ' ...a first rate Turkish engineer costs the same as a third rate American engineer'

(Stallworthy and Kharbanda, 1985)

3.7 Domestic Market Trends

Domestic market trends will be investigated as follows:

3.7.1 Investments

In this part, the share of total construction investments and investments in building construction and infrastructure investments will be evaluated.

State Planing Organization make the planning of the investments for the stated planning periods considering the general targets for Turkey. Fixed capital investments for the seventh planning period with 1994 prices are:

Table 3.5 Fixed Capital Investments for the VIIth Planning Period with 1994 prices (Billion TL)

PRIVATE SECTOR	4.280,900-4.918.500
PUBLIC SECTOR	1.323.700-1.520.800
TOTAL	5.604.600-6.439.300
Source: State Planning Organization	

As it is seen from Table 3.6 for housing investments, where the private sector investments are higher, there is a sharp decrease from 32.3 % to 23.1 %. Energy investments will increase from 5.5 % to 8.5% in the new planning period where share of private sector will increase. There will also be increases in education, tourism, manufacturing and health sectors.

The decrease in housing investment is a bad symptom for the future but increase in energy sector is good since construction investments are high in this sector. Also increases in the shares of manufacturing, tourism, education and health sectors is a chance for construction sector since these sectors have building and infrastructure investments.

Table 3.6 Fixed Capital Investments for the Sectors(GNP Growth = 5.5%) (% Share)

	VI th PLAN PERIOD			**VII th PLAN PERIOD**		
SECTORS	**Public**	**Private**	**Total**	**Public**	**Private**	**Total**
Agriculture	9.4	3.4	5.1	10.2	4.6	5.9
Mining	3.4	1.1	1.7	2.2	0.8	1.2
Manufacturing	4.7	25.8	19.8	4.0	27.8	22.2
Energy	**17.4**	**0.7**	**5.5**	**21.2**	**4.6**	**8.5**
Transportation-Communication	38.0	15.0	21.6	26.5	18.6	20.4
Tourism	1.4	3.5	2.9	1.4	4.6	3.8
Housing	**2.6**	**44.1**	**32.3**	**0.9**	**30.0**	**23.1**
Education	7.2	0.8	2.6	12.7	1.9	4.5
Health	1.7	4.4	6.7	16.0	5.4	7.9
Other Services	12.7	4.4	6.7	16.0	5.4	7.9
TOTAL	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Source: State Planning Organization						

3.7.2 Building Construction

Expenditures in building construction which includes the residential, commercial and industrial segments, was mainly concentrated in private housing development. In 1993, residential construction accounted for 83.6% of total building construction value, and 82.8 % of the area occupancy permits were granted. In terms of occupancy permits, residential construction accounted for 81.2 % of value and 80.20 % of area in the same year. Due to rapid

urbanization rate of 4.4% per year compared to population growth of 2.2% per year. There is still increasing need for housing, resulting in a shortage of approximately one million houses since 1980's.

The share of housing in domestic construction market is very high. Also, share of housing in total fixed capital investment of private sector is very high. In 1990-1995 period, it was 44.1 %, which was the largest share followed by manufacturing with 19.8 %.

The government established a low cost mass housing fund to support new residential areas in large cities through the taxes on luxury imports. This is because of the need for production of legal houses and prevent illegal housing. Prime Ministry Housing Development Administration financed 863.000 houses by its credits during 1984 and 1992 and 602.000 houses were completed. Credits distribution is 30% for public servants, 31% for workers, 15 % for tradesman , 6% for retired persons, and 18 % for others. Eryaman and Halkalı Projects of Housing Development Administration are still continuing. New housing projects of local municipalities are supported by this organization.

Table 3.7 show that there is a boom in the housing sector during 1984-1987 period and 1986 is the peak point. But 1988-1990 period is a decrease period, and this period is followed by an increase period.

When the using permits are analyzed it is observed that the industry does not have the capacity to build the required number of houses at the required speed since the construction permits and using permits do not coincide. Another interesting point is that only half of the housing need is satisfied with legal construction work. For example in 1986, the estimated new house need was approximately 350.000 although there were 168.597 houses that received using permits.

With the new development plan for 1995-2000 period, it is seen that the trend in housing investments will decrease and private sector share in housing will increase.

Table 3.7 Developments in Housing Construction

YEARS	According to Construction Permits	Increase Rate Relative to Last Year (%)	According to Using Permits	Increase Rate Relative to Last Year (%)
1980	203.989	- 19.0	139.207	12
1981	144.394	-29.2	118.778	-14.7
1982	160.078	10.9	115.986	-2.4
1983	169.037	5.6	113.453	-2.2
1984	189.486	12.1	122.580	8.0
1985	259.187	36.8	118.205	-3.6
1986	392.825	51.6	168.597	42.6
1987	497.674	26.7	191.109	13.4
1988	473.582	-4.8	205.485	7.5
1989	413.004	-7.7	250.480	21.9
1990	381.408	-7.7	232.018	-7.4
1991	393.000	3.0	227.570	-1.9
1992	472.817	20.3	268.886	17.9
1993	548.120	12.6	269.694	0.1
1994	523.502		245.454	
1995 (* includes 1st 6 months)	211.335*	-	80.808*	-

Source: State Planning Organization, State Statistical Institute

3.7.3 Infrastructure Investments

As in the case of many countries, in Turkey previous and present governments have often used public-sector infrastructure investments as a means of stimulating economy. In the view of competing demands for government funds in 1994 and with a tight fiscal policy, poor public-sector investment figures are not altogether surprising. In the near term, large infrastructure projects may encounter funding difficulties as a result of the government's tight reins on fiscal spending. But it is important to note that, despite the upheaval in the economy and borrowing restrictions placed on Treasury in 1994, the government was able to resume its payment schedule on major projects which are currently underway.(Talkington and Uzay, 1995)

Currently, energy demand exceeds supply in Turkey, which results in the necessary importation of energy. In contrast to private-sector investment, infrastructure improvements, including energy and transportation/communication segments, have dominated public fixed-capital investments for the past five years, on average accounting for 13.6 % and 38.5%, respectively, of total public infrastructure spending since 1990. Based on budget figures in 1994, public sector spending on energy totaled TL 25 trillion (US$ 853 million), a decline of 28% in real terms and 45% in USD terms. Public-sector spending on transportation and communications total TL 74 trillion (US$ 2.5 billion), an inflation adjusted real decline of approximately 30% (a decline of 50% in USD terms)

The State Planning Organization has drawn up projected budget as part of its 7th Five year Plan targeting total public sector spending on energy and transportation/communications of TL 631 trillion(US$ 21 billion at 1994 prices) for the remainder of the decade. While the accuracy of such figures may be called questioned, given the accuracy of previous Five year plans, the plan is at minimum an indication that government involvement will continue to be significant through the year 2000.

Infrastructure construction, as well as the maintenance of power plants, industrial plants, buildings, motorways, and bridges have been the predominant expenditures. A breakdown of 1990-1994 expenditures by public sector projects shows emphasis on highways and energy, a trend that is expected to continue through the end of the decade. The new star will be the construction of power plants although the energy related construction expenditures constitute a higher percentage of total spending in the public sector (15% compared to 1%).

3.8 Trend Analysis in Growth Base

Developments in the construction sector have been impressive in Turkey, with average annual sector growth of 6.4% between 1983 and 1993, slightly outpacing average annual GNP growth of 5.4 %.

Table 3.8 GNP and Construction Sector Growth

Year	GNP Growth	Construction Sector Sector Growth	Construction Sector as % of GNP
1983	4.6%	17.4%	7.5%
1984	7.8%	11.8%	5.2%
1985	4.5%	13.6%	5.7%
1986	7.5%	9.1%	6.6%
1987	9.3%	6.7%	6.5%
1988	1.5%	2.3%	7.8%
1989	0.9%	-6.3%	6.4%
1990	9.7%	-0.1%	6.0%
1991	0.4%	1.1%	7.0%
1992	6.4%	6.0%	6.7%
1993	7.3%	8.5%	6.9%
1994	-6.0%	-27.0%	6.8%
1995(First Quarter)	-0.2%	6.4%	6.0%

Source: State Institute of Statistics

Over the remainder of the decade, based on the 7th Five Year plan, it is forecasted that; the construction sector will achieve an average growth rate of approximately 6%, in line with the sector's historical trend.

3.9 International Market Trends

The international construction market moved into gear in 1993 and the Asian market was engine that drove it. New international contracts rose 5.9 %, according to ENR's Survey of Top International contractors. A 20% gain in Asian market was more than enough to overpower sluggish markets in Europe, Latin America, the Middle East and Africa.

Table 3.9 Trends in International Contracts

	EUROPE	AFRICA	MIDDLE EAST	LATIN AMERICA	ASIA	U.S.A	CANADA
SIZE	$ 33.7 billion	$14.1 billion	$ 26.8 billion	$12.5 billion	$ 51.4 billion	$ 12.5 billion	$ 4.1 billion
GROWTH	- 2%	-3%	-5%	-9%	+21 %	+40 %	-2%
Source: ENR 1994							

Overall new international contracts reached an all-time high of $ 155.2 billion up from $ 146.5 billion in 1992. Petroleum and petrochemical projects continued to top the international market with 37% of all international contracts by volume.

The power market really surged in 1993, reflecting the vast energy needs of Pacific Rim. It is recorded that $ 15 billion in new power contracts during 1993, a 59.6% jump from 1992 level. The market is expected to grow for years to come, with China alone needing an estimated 15.000 Mw to 18.000 Mw annually.

As a result it could be said that potential market for general building construction is decreasing and the future major market will be in civil work and large infrastructure projects.

3.9.1 Key Facts on the EC Construction Sector

Europe is at early stages of a period of great social, political and economic change, as a result of European integration, the enlargement of the European Community (EC), changes in the emerging democracies of eastern and central Europe, and also wider changes in world trade. This has a direct impact on the construction sector, through:

- new infrastructure and building needs, and changing regional patterns of investment;
- increased levels of trade and strength of competition, in construction work, products and services;

In the light of the given trends and changes in the European market; the current structure of the sector is as follows:

Construction output:

520 billion ECU 1992, 10 % of GDP (1991 prices)

550 billion ECU 1990, 12 % of GDP (1991 prices)

Value added by contractors: approximately 5-6 % of GDP

Employment (1990)

9 million in contractors

1 million in design and consultancy

2.5 million in construction products manufacture

Estimated 14 million in services, government, distribution and other suppliers

Total: 20% of civilian jobs

60% of gross fixed capital formation in EC

1.8 million enterprises (including one-person companies)

90 % of employment in enterprises with less than 500 employees

55 % of employment in enterprises with less than 20 employees (97% of companies)

Shares in EC construction output (1991)

New residential	23 %
New non-residential	21 %
Civil Engineering	23 %
Renovation and maintenance	33 %

3.9.1.1 Financial Aid Program of EC for Turkey

With the Customs Union agreement EC proposed a financial aid program for Turkey to decrease the negative effects of Customs Union agreement on the economy. The total amount of this aid will be 2.5 billion ($3.2 billion) and the details are as follows:

375 million ECU after 01.01.1996 for five years from EC budget,
400 million ECU in from the last Mediterranean Program which will end in 1996,
700 million ECU from the new Mediterranean Program which will begin in 1996,
750 million ECU after 01.01.1996 for new projects from European Investment Bank,
300 million ECU in case of Turkey's demand from international financial institutions.

3.9.2 Key Facts in the Russian Market

The construction market in Russia has contracted significantly since 1989-1990. Over the last five years, total market turnover, as expressed is US dollars, fell by more than 60% from US$ 45 billion in 1990 to US$ 18 billion in 1992, and around US$ 15 billion in 1993 and 1994, when the recession in the Russian construction market finally began to bottom out.

When market size and structure is considered; accounting for over 15% of GDP during late 1980s, when a construction boom took place in the Soviet Union, the construction market feel to 13.5 % of GDP in Russia in 1992, 11.5 % of GDP in 1993 and 1994, when the total turnover began to stabilize at around US$ 15 billion per annum. Although such revenues still give Russia by far the largest construction market in the Confederation of Independent States

(CIS), loosely organized successor to former Soviet Union, they are only a fraction of construction activity in 1990. According to recent Construction Ministry forecasts, significant growth in the Russian construction market will not take place until at least 1997-1998 after which growth is expected to be around 5%-10% each year towards and beyond 2000.

Housing Market: It has always been a serious problem in the communist period, Russia's housing shortage was only partially solved by Gorbachev's construction boom of 1986-1990 when a record 6.08 million new flats were completed. After 1990, when 1.04 million flats were completed, such completion of standard private residential units fell by -25% annually until 1993, when the private housing market began to stabilize.

At the end of 1994, therefore, the Construction Ministry estimated that it would take 12 to 5 years to solve the present housing shortage, which particularly acute the country's two main economic zones and construction markets, Moscow and St. Petersburg. According to the Construction Ministry, it will take a minimum of 12 million new or refurbished residential units to solve this problem.

Non-Residential Construction: As with residential housing, there is now a chronic shortage of good non-residential, and particularly office, space. A problem that is very acute in Moscow, where prime office rents are now among the highest in the world. At the height of this supply crisis, in 1992, top quality office premises in the Russian capital were priced at just under US$ 1000 per m2 per annum, which gradually below US$ 700 per m2 per year. This is a price differential that largely explains why foreign contractors, mainly Finnish, and other property interests now have a particular interest in new Russian office retail and hotel construction.

Industrial and Infrastructure Construction: Presently, government policy is to concentrate on industrial sectors and related infrastructure that yield foreign exchange exports and are thus able to attract foreign financing for their modernization and expansion. Among these, the most important one is the oil-gas sector which has so far attracted the bulk of new industrial-infrastructure construction investment during the 1990's. External sources of finance for construction this sector include the World Bank, the European Bank for Reconstruction and Development (EBRD), the European Investment Bank and various western government export guarantee agencies.

Similar significant commercial opportunities now also exist in transportation and telecommunication sectors. As regards transport, Russia's 934000 km road network is completely inadequate, which no doubt explains why the government plans to expand it by 30%-40% by 2000.

Although the construction market undoubtedly has considerable longer-term potential, with attendant growing opportunities for foreign construction companies, this is often much hyped promise will ultimately only be realized in practice if and when the present political uncertainty, legal confusion and economic chaos that exists in the Russian Federation finally comes to an end.

CHAPTER IV

TAVŞANOĞLU GROUP OF COMPANIES

In this chapter Tavşanoğlu Group of Companies will be introduced by its history, current strategies, organizational structure, activities and main projects undertaken in the recent years.

Success of Tavşanoğlu can be attributed to its active management and highly specialized engineering knowledge in the execution of projects undertaken in all areas of construction.

The main principle of Tavşanoğlu is to realize its contracts before the completion date, by combining maximum quality and high reliability with modern construction technologies and methods.

As we are entering the new century, Tavşanoğlu see that the coming century will offer more possibilities of international cooperation and exchange of technology. The healthy progress of new phase of warm relations between east and west will depend upon the successful integration of their business realms. The responsibility falling upon the business world is, indeed, great. (Tavşanoğlu, 1995)

4.1 History of Tavşanoğlu Group of Companies

The history of Tavşanoğlu Group of Companies can be analyzed in three periods:

1. Regional Dominance in Erzincan
2. National Dominance in Turkey
3. Collaborative Strategy and Subcontracting in Turkey

4.1.1 Regional Dominance in Erzincan

Two brothers; Saim Tavşanoğlu, lawyer and Tevhit Tavşanoğlu, civil engineer, set up a partnership and entered the business of construction contracting. It was 12 November 1976, Tevhit Şevket Tavşanoğlu issued a contractor license and got the bidding of 225 houses in the wards Beybağı and İstasyon Districts in Erzincan. It was a large project for a small company, but Tavşanoğlu completed this project successfully before the scheduled completion date.

In 1976, Tavşanoğlu Construction, Tourism, Automotive, Industry and Trade Co. was established. It was a family company and as its name implies, had the aim and motivation of Tavşanoğlu.

Tevhit Şevket Tavşanoğlu and Tavşanoğlu Construction, Tourism, Automotive, Industry and Trade Co. completed very successful construction project in Erzincan region. These projects were mainly building and infrastructure projects for 3rd Army and Ministry of Defense and village projects with infrastructure facilities near Erzincan for Ministry of Public Affairs and Resettlement. During these years Tavşanoğlu had a reputable name with its on time and reliable projects in Erzincan region.

4.1.2 National dominance in Turkey

In 1984, Tavşanoğlu decided to enlarge its market. So head office of Tavşanoğlu was transferred to Ankara. For the first three years the head office was in Ankara but all the projects were in the Erzincan.

In July 13, 1987, Tavşanoğlu got the bidding of two contracts; Ankara Şereflikoçhisar Small Industry Site with 250 Workshops and Social Facilities Construction and Aksaray Small Industry Site with 302 Workshops Construction Projects. These projects were milestones for Tavşanoğlu; because they were the first projects taken outside Erzincan and they were the projects of new client Ministry of Industry and Trade. After undertaking these projects a hotel project was undertaken in Avanos, Capadocia. All small industry sites and hotel project were new branches for Tavşanoğlu. After the completion of these projects, Tavşanoğlu enlarged its work potential, financial capability and personnel.

In 1988, Mata Construction, Trade Co. was established. After 1988, Tavşanoğlu was a medium size construction company group which have undertaken projects all over Turkey; Kayseri, Afyon, Ankara, Aksaray, Nevşehir, Aydın, etc. In this period, Erzincan was still a big market for Tavşanoğlu. Large projects such as Government House Construction, TEK facilities, PTT facilities, Student Dormitories, Hospital were constructed during this period. The projects in other cities were also large projects such as; Afyon Small Industry Site which have 1000 workshops and a total value of $ 15.000.000 including the infrastructure additions, student dormitories for Erciyas University in Kayseri, organized industrial site in Aydın.

4.1.3 Collaborative Strategy and Subcontracting in Turkey

In 1990's Tavşanoğlu has a reputable company in all over the Turkey and has known by the clients in public sector.

In 1991, Ata Construction Trade Co. was established with Oğuz Aşkın, former manager and engineer of Güriş. Ata was a small company, but due to its structure and formation it was beginning of a collaborative strategy. Tavşanoğlu established Ata to penetrate into new markets and to undertake professional subcontracting for large construction companies in different sub-sectors of construction industry.

In this period Tavşanoğlu continued its development in all over the Turkey. In these period as a result of vertical integration strategy Tavşanoğlu established a readily mixed concrete plant in Erzincan. This was another milestone in Tavşanoğlu's history.

In 1992, an earthquake happened in Erzincan. It was a big examination for Tavşanoğlu, since most of the completed and on-going projects of Tavşanoğlu were in Erzincan. This big examination was succeeded by Tavşanoğlu and non of the completed and on going projects were damaged in this earth quake, although most of the other buildings were damaged and destroyed. After the earthquake, World Bank financed the new housing and infrastructure projects in Erzincan but due to the political reasons Tavşanoğlu was not invited the tenders of Prime Ministry Housing Development Administration.

In this period, Tavşanoğlu got the bidding of Municipality Business and Trade Center project which was financed by the World Bank and Erzincan Municipality. Tavşanoğlu gave subcontracting service to all companies which entered the Erzincan market with the housing projects. This subcontracting service included earthworks, readily mixed concrete and other activities. The most important subcontracting activity was performed in the biggest housing project; Erzincan Cooperative Houses Rehabilitation and Restructuring Project which has a $26.500.000 contract value. The main contractor was SUTEK, approximately half of the project was constructed by Tavşanoğlu and Ata. It was a good chance to have a large directly financed project in 1994, which was a terrible crisis year for both Turkey economy and Turkish construction sector.

In 1995, Tavşanoğlu, was in Erzincan Dam Project as a main subcontractor, which was the biggest project in Erzincan region. The main contractor was KİSKA, which is one of the biggest international Turkish construction company. The large machinery park was utilized in that project for cut and fill works. Also all concrete works are performed by Tavşanoğlu. It was a perfect experience in dam and irrigation projects for Tavşanoğlu.

As a result of these experiences in dam and irrigation projects Tavşanoğlu received prequalification from State Hydraulic Works for entering the tenders of that organization. Tavşanoğlu established a joint venture with a highway contractor and attend to the tenders of Republic of Turkey State Highways projects.

Another important development was Tavşanoğlu reach the pre-qualification stage of US Department of State Office of Foreign Building Operations, in which most of the larger

and experienced construction companies were failed. This is an indicator that Tavşanoğlu is ready for international contracts.

In 1995, for the first time in its history Tavşanoğlu Group of Companies, made an forward integration and started to built two business centers in Ankara and İstanbul with its own resources.

4.2 Field of Activities

Certain projects undertaken by Tavşanoğlu are as follows:

Infrastructure projects such as;

- Highway, airport, and railway projects,
- Irrigation, drenage and sewerage projects,
- Hydraulic structure like dams, artificial lakes and regulators, etc.
- Sport halls, sport complexes and swimming pools.

Building projects such as;

- Houses and mass housing projects,
- Hotels, holiday villages and other facilities,
- Residential buildings including public buildings, education buildings, health and cultural structures,
- Business and trade centers
- Factories and industrial structures.

Apart from these, the companies are involved in; readily mixed concrete, production aggregate production and marketing, distribution of cement, marketing of plastered panels and other construction materials. Tavşanoğlu has the executive distribution activity of most of the construction materials in Erzincan but it is mainly markets them to the companies in the group.

4.2.1 Readily Mixed Concrete Plant

In 1992, Tavşanoğlu established the first readily mixed concrete plant in Erzincan. After that, several local companies and other companies entered to this market but Tavşanoğlu was always the market leader due to its quality and reputation. The competition was high just after the earthquake but nowadays Tavşanoğlu is the only company in the market. In 1994 Tavşanoğlu set up a second plant in Erzincan, which had the computer aided system, to gave perfect service to its customers. For the first year this plant gave service to Sutek, in cooperative houses rehabilitation and restructuring project and produced 70.000m3 concrete in five months.

Two of the readily mixed concrete plants have total capacity of 200 m3/hour. There are twelve transmixers and two concrete pumps in the Erzincan readily mixed concrete plant. Also an aggregate screening-washing and crushing facility was established to support the concrete plant. The aggregates produced in the washing and crushing facilities are marketed to other companies in that region.

The readily mixed concrete production through the years is as follows:

Table 4.1 Readily Mixed Concrete Production

Years	Amount Used by the Company (MATA) m3	Amount Marketed m3	Total Production m3
1992	1.452	27.769	29.221
1993	7.420	38.786	46.206
1994	2.625	78.318	80.943
1995	2027	16563	18.590
Source: Mata Construction Co. 1996			

Tavşanoğlu is the most important client of Aşkale Cement factory and executive distributor of the cement in Erzincan. In that region aggregate, cement and concrete markets are dominated by Tavşanoğlu.

4.3 Companies in Tavşanoğlu

There are six companies in Tavşanoğlu Group of Companies. Four of these six companies are main companies and two of them are subsidiaries.

4.3.1 Main Companies

Main companies are Tevhit Şevket Tavşanoğlu, Tavşanoğlu Construction, Tourism, Automotive, Industry, and Trade Co., Mata Construction Industry Trade Co., and Tesan Construction Industry and Trade Co.

4.3.1.1 Tevhit Şevket Tavşanoğlu

Tevhit Şevket Tavşanoğlu, individual company was founded in 1976, providing all kinds of construction contracting services since then. During its long years of activity, Tevhit Şevket Tavşanoğlu has developed high expertise in administrative, social, residential, military and industrial structures, among other subjects. Tevhit Şevket Tavşanoğlu possesses the capability in performing its professional skills in all phases of projects.

The volume of projects that has been completed by Tevhit Şevket Tavşanoğlu is about $ 150.000.000. The volume of on-going projects are about $ 20.000.000.

Tevhit Şevket Tavşanoğlu company has an 550 qualified personnel including a technical team which consist of 12 extraordinary engineers.

Tevhit Şevket Tavşanoğlu company has an merit prestige in construction sector with its business philosophy based on *"on-time completion of projects with high quality and high reliability"*. (Tavşanoğlu, 1995)

4.3.1.2 Tavşanoğlu Construction Tourism Automotive Industry and Trade Co.

Tavşanoğlu Construction, Tourism, Automotive, Industry, and Trade Co. company was founded in 1978, providing all kind of construction contracting services since then. During its long years of activity, Tavşanoğlu Construction, Tourism, Automotive, Industry, and Trade Co. has developed high expertise in administrative, social, residential, military and industrial structures, among other subjects. Tavşanoğlu Construction, Tourism, Automotive, Industry, and Trade Co. possesses the capability in performing its professional skills in all phases of projects.

The volume of on-going projects are being constructing by Tavşanoğlu Construction, Tourism, Automotive, Industry, and Trade Co. is about $ 10.000.000.

Tavşanoğlu Construction, Tourism, Automotive, Industry, and Trade Co. company has an 250 qualified personnel including a technical team consist of 10 extraordinary engineers.

Tavşanoğlu Construction, Tourism, Automotive, Industry, and Trade Co. company has a merit prestige in construction sector with its business philosophy based on *"on-time completion of projects with high quality and high reliability"*. (Tavşanoğlu, 1995)

4.3.1.3 Mata Construction Industry Trade Co.

Mata Construction Industry Trade Co. individual company was founded in 1988 with a capital structure of 20.000.000.000 TL., providing all kind of construction contracting services since then. During its long years of activity, Mata Construction Industry Trade Co. has developed high expertise in administrative, social, residential, and industrial structures, among other subjects. Mata Construction Industry Trade Co. possesses the capability in performing its professional skills in all phases of projects like dam and irrigation construction and highway construction.

The total value of projects that have been completed by Mata Construction Industry Trade Co. is about $ 150.000.000. where the volume of on-going projects are about $ 16.000.000.

Mata Construction Industry Trade Co. company has 450 qualified personnel including a technical team of 15 extraordinary engineers.

Mata Construction Industry Trade Co. has an readily made concrete plant which is established in Erzincan and has a 80% market share in that region. Tits plant has an 200 m3/ hr capacity and supported by screening and washing plant, and crusher.

Mata Construction Industry Trade Co. company has an merit prestige in construction sector with its business philosophy based on *"on-time completion of projects with high quality and high reliability"*. (Tavşanoğlu, 1995)

Mata Construction Industry Trade Co. planning to develop its position by horizontal and vertical integration strategies in the global turbulent environment.

4.3.1.4 Tesan Construction Industry and Trade Co.

Tesan Construction Industry and Trade Co. was founded in 1993. The main aim of Tesan is giving consultancy service about new construction systems and technologies, new

construction materials and application strategies to the contractors and coordinating the process between designer and producer and applied. Consultancy service also includes decision of construction techniques and materials in planning phase, and preparation of specifications in project base.

Tesan has the recent knowledge about domestic and imported construction materials and technologies. In the documentation center of Tesan there are catalogs, documents, samples and specifications and commercial data's of domestic and international companies.

During the past two years, Tesan gave consultancy service to the companies in Tavşanoğlu Group. The company plans to widen its services to all domestic and international companies.

Tesan is also planning to give executive representative service to international construction material producers, with exporting, importing and marketing service.

4.3.2 Sub Companies

These companies are the products of collaborative strategy of Tavşanoğlu Group. Tavşanoğlu Group has different amount of shares in these companies. Ata Construction Trade Co. and Detay Engine Machine Industry Trade Co. are the sub-companies of Tavşanoğlu.

4.3.2.1 Ata Construction Trade Co.

Ata Construction Trade Co. was founded in 1991, The share holders are Tavşanoğlu Group and ex-manager and engineer of an international Turkish construction company.

During the last four years, Ata developed its market in contracting services for public and private sector. Ata completed a small textile factory for the private sector, besides other projects as a subcontractor and main contractor. The company wants to continue its construction and contracting services with its modern subcontracting services.

4.3.2.2 Detay Engine Machine Industry Trade Co.

Detay Engine Machine Industry Trade Co. was founded in 1990 to produce, import, export and market the electrical and diesel machines for construction, agriculture, textile and other industries. In first years, Detay imported spare parts for construction materials and has marketed them in Turkey. But in recent years, the fluctuations in the foreign currency rates effected the Detay in a negative way.

4.2 Projects

Annual value of construction work undertaken for each of the last five years and projected for current year is as follows:

Table 4.2 Annual Value of Construction Work

Year	Current	1991	1992	1993	1994	1995
Value	The payment program for 1996 is not published yet.	$ 23.554.840	$ 14.373.600	$ 20.512.207	$ 15.358.604	$ 15.800.000

It is observed that Tavşanoğlu has an annual value of construction work about $15.000.000 - $ 20.000.000.

Tavşanoğlu's projects could be analyzed in two groups:

1. Completed Projects,
2. Ongoing Projects.

4.4.1 Completed Projects

The value of completed projects by the companies in Tavşanoğlu is approximately about US$ 300.000.000. The important completed projects are:

- İstasyon and Beybağı Districts 225 Housing and Infrastructure Project,

- H.A.I.T Infrastructure and 9 Blocks Construction Project,
- Şereflikoçhisar Small Industry Site 250 Workshops and Social Facilities Projects,
- Aksaray Small Industry Site 302 Workshops Projects,
- Çay Small Industry Site 200 Workshops and Social Facilities Projects,
- Erzincan Government House Construction,
- Afyon Brigade Type Officers Club and Hotel Construction Project,
- EDM Service Facility and Residences Complex Project,
- Aydın Organized Industry Region Infrastructure Construction,
- Erzincan Cooperative Houses Rehabilitation and Restructuring Project.

(See Appendix C for all completed projects)

4.4.2 On Going Projects

The value of on going projects is approximately about US$ 60.000.000. The most important on-going projects are as follows:

Afyon Small Industry Site 1000 Workshops Construction Project:

Ministry of Industry and Trade and Afyon Small Industry Site Association are the owners of the Project. The financing of the project is supplied by Ministry of Industry and Trade.

The project consists of four parts:

First Part	200 workshops with 41.017 m2 closed area
Second Part	300 workshops with 69.916 m2 closed area
Third Part	249 workshops with 51.272 m2 closed area
Fourth Part	249 workshops with 47.543 m2 closed area

Erzincan Municipality Business and Trade Center:

The owner of this project is Erzincan Municipality. The architecture of the project is Teyfik Danyal Çiper. This project is also called Erzincan Galleria and Ship Building by most of the people because of its different and excellent architectural structure.

The project has 9700 m2 closed area which consists of a shopping center with restaurants and fun centers, and offices for business activities. All modern construction techniques and construction materials are used in this project. The project will be completed in 1996.

Türkiye İş Bankası Erzincan Service Branch and Residences Project:

Türkiye İş Bankası is the client in this project. There is a modern service branch with special features and six luxury residences in the building. All construction materials are selected specially by the client. It has small total closed area which is 2300 m2. Since it is a prestige building for Türkiye İş Bankası, this is a very important reference for Tavşanoğlu.

Uşak Engineering Faculty Project:

Afyon Kocatepe University is the client of the project. The project has 60.000 m2 closed area which consists of faculty buildings, laboratories, social facilities and administrative buildings. This project is in design phase; the architectural and static design of the project is executed by Istanbul Technical University professors. This is the most important project for Tavşanoğlu in the following years.

Istanbul-Merter Textile Plaza Project:

The Merter region in Istanbul has a huge potential for textile sector. 70% of textile export of Turkey is marketed from Merter region. Although it is an old production center for textile, this region is becoming marketing center for textile producers and is about to change its production center structure.

Merter Textile Plaza Project is one of the projects of Tavşanoğlu which is financed by own resources. The project has 7000 m2 closed area and consists of 36 shops, 36 offices and showrooms. 50% of the project was completed in 1995. Special materials will be used in the fine works as they are used in the reinforced concrete structure.

Ankara Trade Center Project

This project is also owned and financed by Tavşanoğlu. This project is consist of two large shops which could be supermarket, and 20 offices which could be offices for lawyers. The project has a flexible structure and can be transformed to a hotel / apart hotel, private school and hospital.

4.5 Machinery and Equipment Park

Tavşanoğlu has an huge machinery and equipment park. Since Tavşanoğlu has an a strategy to invest its earning to its business, it has developed a machinery park which is suitable for all types of building and infrastructure projects. The machinery and equipment park of Tavşanoğlu is larger than all medium size competitors.

4.6 Management and Organizational Structure

As in the case of most Turkish companies, Tavşanoğlu has a centralized organizational structure. The owners are professionals and they are often in the practical work. They are refraining from delegation of authority to subordinates. Tavşanoğlu is not institutionalized since it is a young group and top managers are founders of the company.

Financial management and strategic planning are governed by Saim Tavşanoğlu, Chairman of board of directors and his brother Tevhit Tavşanoğlu, Vice Chairman of the board and general manager, and Ömer Tavşanoğlu.

The next level of management includes coordinators of financial and accounting and project management groups. Risk assessment and feasibility studies on proposed projects to determine profit margin and risk premium are performed by Tevhit Tavşanoğlu and Ömer Tavşanoğlu with the help of these group. The decision-making process is ultimately centralized, this is due to lack of professional management.

Tavşanoğlu's organizational structure depends on the projects going on different regions. There are mainly two regions that most of the projects are focused; Erzincan and Afyon. There are regional offices in these cities to coordinate the projects which is supported by engineering, accounting and logistic groups in the head quarter.. There are also coordinators in the head quarter to organize the relations with the related ministries and organizations. The projects in Ankara, İstanbul and Kayseri are directly coordinated from the head quarter.

Although there is a management plan and organizational chart there is not professional project management by means of international standards. In most of the cases the general manager Tevhit Tavşanoğlu acted as project manager for most of the projects. This is because of lack of professional management as in the case of other medium size construction companies. The dependence to one man; Tevhit Tavşanoğlu, limits the capacity of the group.

Another organizational handicap is the work definitions. They are not clear in practice and there is lack of formalization. For example all quantity survey studies are performed in the site in Erzincan region but this study is performed in head quarter with the information given from the site for the projects of Ministry of Industry in Afyon region.

4.7 Clients

The major clients of Tavşanoğlu Group of Companies are grouped as follows:

Current Clients:

1. Ministry of Construction and Resettlement
2. Ministry of Industry and Trade

3. Directorate General of Cities Bank
4. TEK Turkish Electric Corporation General Management
5. Vakıflar General Management
6. PTT Postage Telephone Telegraph General Management
7. Governership of Erzincan
8. Governership of Afyon
9. Municipality of Erzincan
10. Municipality of Afyon
11. Afyon Kocatepe University
12. Türkiye İş Bankası General Management Construction and Real Estate Headquarters

Potential Clients:

1. Republic of Turkey Prime Ministry Housing Development Administration
2. State Hydraulic Works
3. Republic of Turkey State Highways
4. International Turkish Construction Companies

4.8 Major Competitors

As it is indicated above Tavşanoğlu has a lot of clients for building and infrastructure projects. There are a lot of medium size and large construction companies which are also the contractors of these clients. Therefore it is difficult to classify all competitors in these environment where there is also high entry and exit rate.

Before making a competitor classification, first of all field of activities and major clients should demonstrated:

1. Building Construction:

- Ministry of Construction and Settlement
- Ministry of Industry and Trade

2. Infrastructure Projects:

- State Hydraulic Works
- Republic of Turkey State Highways

Tavşanoğlu has a reputable name in building construction and close relations with Ministry of Construction and Settlement and Ministry of Industry and Trade. The contractors of these clients are mainly medium size and small companies. The competitors of Tavşanoğlu are medium size companies. The major competitors in this category are:

- Age
- Aker
- A.Osman Özmen
- Ceylan
- Edip Gürcün
- Ertuğrul
- Haşemoğlu
- Gestaş
- Öztaş
- Tepe

The competitors are also depend on the region where the project is. In Afyon, for the building projects major competitors are Aker Construction Co. and Kuzu Mass Housing Co. In Erzincan, for the building projects Tavşanoğlu's major competitor is Issa Construction Co. But for the projects all over the Turkey the list given above is the major competitors of Tavşanoğlu Group of Companies. (See Appendix D for other competitors)

In State Hydraulic Works and in State Highways the structure of competition is different than building construction projects. There are large companies as well as small number of medium size companies. The large construction companies are as follows:

- Libya
- Entes
- Baytur
- Emek
- Yüksel

- Metiş
- Özışık
- Kiska
- Özaltın

In infrastructure projects, again the region is important. For the projects in Erzincan region major competitors of Tavşanoğlu are Kiska and Çarmıklı construction companies. For the projects in other regions, there are some other local strong competitors with the companies listed in Appendix D.

4.9 Current Strategy of Tavşanoğlu

4.9.1 Business Strategy

Strategic Planning of Tavşanoğlu is done by two partners; Saim Tavşanoğlu and Tevhit Şevket Tavşanoğlu, as all decision making process is ruled by them. The strategic planning of Tavşanoğlu is very practical and flexible and can change due to conditions. But the strategic planning is done whenever needed not periodically. As Tevhit Tavşanoğlu says;

'...it is difficult to make strategic planning in a cyclic environment like Turkey...'

The mission statement of Tavşanoğlu is:

" on-time completion of projects with high quality and high reliability".

The philosophy of Tavşanoğlu is that they have to earn money in their expert areas. Tavşanoğlu is a functional organization when the organizational type is considered. When structural characteristics are analyzed, there appears a single product; building construction and limited infrastructure projects. The backward integration are readily mixed concrete production and aggregate production in Erzincan region.

The operational policy of Tavşanoğlu is market concentration. The company mainly prefers domestic markets for the construction activities since the international markets are so different for them. As Tevhit Şevket Tavşanoğlu says:

"... we have a lot of projects in Turkey and it is early for us to penetrate into international markets with our current human resource..."

Tavşanoğlu aims to be the best in its field of activities and while doing so, they control the growth. Beginning from the first years, Saim Tavşanoğlu is the risk averse actor, while Tevhit Şevket Tavşanoğlu is the risk taker of the company. This situation provides an equilibrium in strategic planning and decision making process. As Saim Tavşanoğlu says:

"...In this sector, growth is easy whereas to maintain the growth is extremely difficult..."

The current strategy of Tavşanoğlu is to give emphasis on building projects, infrastructure projects like dams, irrigation projects and highways. Tavşanoğlu prefers to take small size infrastructure projects and to understand the conditions so as to make the plans accordingly. Tavşanoğlu does not want to take big risks by involving in the unknown projects.

Another current strategy is collaboration as in the case of Ata Construction Industry Co. Tavşanoğlu is open to collaboration with reliable partners. The company plans to be the executive representative of some European manufactures both from construction materials and other sectors.

4.9.2 Recruitment and Wage Policies

Top management selects all of the engineers, administrative personnel and also the main subcontractors. Most of the workers and some of the subcontractors are selected by the site managers or project managers.

The company prefers to work with employees who have worked there before and who have positive references. This is the same for subcontractors. But in case this is not possible, related managers choose the most suitable ones among applicants.

In Tavşanoğlu, wage policy depends on the office and site factors with the status of the personnel. The wages of technical and administrative personnel are determined by the top management whereas the wages of other personnel are determined by the managers with the approval of the top management. Wages are yearly adjusted. Adjustment depends on the increase in the contracting license index which shows the escalation in payments of the projects.

CHAPTER V

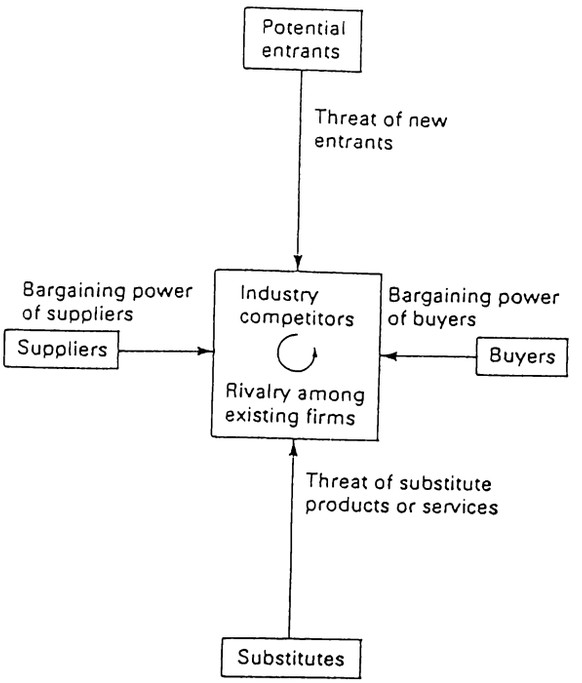
ANALYSIS

In analysis part the environment and the construction company will be analyzed by Porter's Industry Structure Framework and SWOT analysis.

5.1 Framework for Construction Industry Based on Porter's Industry Structure

There are five major forces determining industry structure and these jointly establish the profit potential in an industry. Figure 5.1 set outs these forces diagrammatically.

Figure 5.1 Porter's industry structure framework



5.1.1 Buyers

Buyers (or clients) as a group are particularly important in construction industry since their advisors, in the form of the construction professions, can dictate the rules of competition for contractors, especially through the choice of procurement process.

Buyer Concentration: Generally government and public agencies are the main buyer of contracting services, hence concentrated against companies.

Buyer Volume: Buyer volumes are high, especially government and public agencies has bargaining power against. Also in negotiated and BOT (Build-Operate-Transfer) contracts buyer's pressure on contractors increase.

Buyer Switching Costs relative to Company Switching Costs: In construction industry, buyers can always find alternative contractors at different financing and technical capacities and quality. They don't incur switching costs. Switching costs for contractors are higher.

Ability to Backward Integrate: Threat of backward integration of buyers is low.

Price Sensitivity: In construction industry, buyers are price sensitive. Although in international public tenders, the bidding laws differentiates across the other things remain the same (comply with the quality specifications) the company with the lowest bid is awarded with the contract.

However, especially in large scaled construction projects, they do not sacrifice on quality as far as the dimensions of quality are concerned. Durability, safety, reliability, conformance and serviceability are the main dimensions. It can be claimed that deterioration of features and aesthetics seem to be tolerable.

In international construction industry, the effect of unethical transaction, such as bribery and gifts given to the decision makers, is remarkable. These incentives create an unfair competition environment and increases power of buyers against companies.

5.1.2 Suppliers

In the case of suppliers, construction is highly interconnected industry through materials input from other industries. Therefore, where industrial concentration in other industries may be high the opportunity for suppliers to influence input costs could be considerable.

Differentiation of Inputs: Generally, in this sector in the lower end of civil structures construction, there are many suppliers with a variety of products at different qualities and specifications, however some highly specialized construction materials that are used only in high end works are produced by only a small number of companies.

Switching Cost of Suppliers and Companies in the Industry: In this sector, neither suppliers nor the construction companies face switching costs.

Presence of Substitute Inputs: Except some highly specialized materials, a construction company can choose the raw materials from a wide range of suppliers. Also suppliers are not dependent on construction companies.

Threat of forward integration relative to threat of backward integration by companies in the industry: Possibility and threat of backward integration by construction companies, especially large sized companies is higher. Currently many construction companies backward integrated, having concrete batching plants, timber processing plants, prestressed concrete batching plants, etc.

5.1.3 Entry Barriers

Treat of entry is concerned with the likelihood of new competitors entering the industry. This is dependent on the presence or absence of entry barriers.

Economies of Scale: In this sector there are some large and established companies with economies of scale. Availability of construction machinery and equipment, intensity and

volume of works in one construction site are factors which give competitive advantage to these companies. However, these doesn't deter the entrance of smaller sized construction companies into the industry because there are small and price sensitive customers in the market.

Brand Identity and Post Works: In this sector, especially in negotiated contracts, brand identity constitutes an entry barrier. In tenders, past works and performance and amount of projects undertaken by the company constitutes a barrier for new entrants.

Switching Costs: It is very high in the construction industry. Equipment is highly specialized and expensive, and they can not be sold easily.

Capital Requirement: Capital requirement is very high in large projects. However, for small projects, it is relatively less significant.

Absolute Cost Advantages: Incumbent companies, whatever their sizes are, can benefit from cost advantages resulted from experience effects and assets purchased at pre-inflation prices. However, access to raw material does not constitute a cost advantage because each company can access raw material approximately at the same price.

5.1.4 Substitutes

Threat of substitute products or services is not an easy concept to apply in construction industry. The critical issue in deciding what is or is not a substitute, according to Porter (1980) is that the substitute must undertake the same function. In construction there are similarities between design and build and certain type of project management. The function served is to provide a service to the client with single point responsibility to integrate and control the relationship between design and construction.

5.1.5 Rivalry

The extent of competitive rivalry is determined by the degree of mutual dependency or integration between competitors and the likelihood of this setting off retaliatory strategic moves between them.

Industry Growth: Today, the restructuring of world political and economical dynamics reaccelerated the international contracting works. However, there are differences among countries. Although construction industry reached the maturity stage in some developed countries, especially in the developing countries, it is in the growth stage.

Product Differences: General contractors are involved in almost all field of construction activities, meaning no product differences among construction companies. Construction companies studied in the framework of this project, are all general contractors, so they have no product differences.

Brand Identity: Well known construction companies have established a strong image in the customers' eyes. This limits smaller companies to establish their own brand identities.

Switching Costs: Because of high switching costs and highly specialized machines, companies strive to survive. Rivalry among construction companies is very intense.

Diversity of Competitors: There are hundreds of construction companies in the world and they differ in their strategies, origins and personalities. They also differ in their approaches in entering into new markets, exploiting new opportunities and how to compete.

Exit Barriers: In this sector, actually most of the worlds top international contractors are conglomerates. However, construction business in international markets is to do with huge projects which necessitate tremendous investments in construction machinery and equipment such as draglines, excavators, tunnel boring machines, concrete mixing plants, etc. and ancillary construction facilities like construction site buildings, factories, workshops, etc. For that reason, these huge projects create the possibility of sunk costs

Intermittent Under/Overcapacity: Sustainability of growth in that industry is one of the most significant challenges. Because, growth for new types of projects and new market penetrations probably requires investments, new workers and staff. On the other hand, due to the turbulence in this sector arising from especially political and economical instability/stability fluctuations, to preserve the volume, turnover and capacity usage rates might be very difficult, sometimes impossible. Furthermore, it should be added that although it may bring additional (mostly higher) costs, some exceeding amount capacity can be manageable by hiring some services outside (especially labor and machinery).

5.2 SWOT Analysis for Tavşanoğlu Group of Companies

5.2.1 Strengths

1. Tavşanoğlu has a regional and national high reputation. Especially for Erzincan and Afyon regions, Tavşanoğlu has a reputable name with regards to its construction activities and business ethics.

2. Tavşanoğlu has a positive image on all its clients. The reason for this positive image is on-time completion of projects with high quality and high reliability according to specifications.

3. Tavşanoğlu has an impressive experience in building construction which is formed in twenty years. In this period, ample amount of experience has been accumulated on residential buildings, hotels, prestige buildings and small industry site projects. Tavşanoğlu also has experience in infrastructure projects with the projects completed projects as well as the subcontracting activities. Such experience is usually sought after as a prerequisite in tenders.

4. Tavşanoğlu is used to working in heavy conditions. Such conditions; Tavşanoğlu's building and infrastructure projects have been reliable, safe and have high resistance to earthquake; in 1992 Erzincan earthquake, no completed or on going projects of Tavşanoğlu were damaged or destroyed.

5. Tavşanoğlu has involved in subcontracting with well known international Turkish companies; Kiska in a dam and irrigation project , and with Sutek in a mass housing project.

6. Tavşanoğlu has a flexible structure in the cyclic and turbulent environment of construction industry. In 1994 crisis, all public payments for the building and infrastructure investments were canceled or were very low, the projects that were proceeded were financed from foreign sources such as the World Bank and the European Bank for Reconstruction and Development (EBRD). In this year, Tavşanoğlu involved in subcontracting of such projects and therefore could continue with its development in this difficult period while most of its competitors were experiencing great difficulties.

7. Tavşanoğlu has an extensive machinery and equipment park suitable for both building and infrastructure projects. This machinery and equipment park enhances the competitive advantage of Tavşanoğlu among its competitors who are mainly medium size construction companies. When this machinery and equipment park is considered, Tavşanoğlu can be placed in the upper category together with larger companies. The machinery and equipment park is very important factor especially in dam, irrigation, highway and airport projects' prequalification processes.

8. A high ability of vertical integration and utilization of the vertical integration. This can be observed in readily mixed concrete plant, aggregate screening and washing plants and timber processing plants in Erzincan.

9. The collaborative strategy utilized made Tavşanoğlu act and think big and penetrate in new markets. Collaboration idea with an international Turkish consultancy company mainly dealing with turn key industrial projects and energy plants is an important advantage for Tavşanoğlu. Nowadays the collaboration studies are going on.

10. Tavşanoğlu has the prequalification for US Department of State Office of Foreign Building Operations Projects which requires international financial and technical standards. Most of the companies dealing with the projects in this category could not obtain this prequalification.

11. Tavşanoğlu has good relations with suppliers (cement, steel, wood and glass) in the sector and has the chance to buy the high quality materials with low prices. Tavşanoğlu also have

the representative distributor of some of the suppliers in the construction material sector. For example fittings materials, plastic and metal pipes, paint and covering materials, insulation materials, plaster boards, etc. Having a company, Tesan Construction Trade Co. is an advantage for Tavşanoğlu to utilizing these opportunities.

12. Tavşanoğlu has a strong capital structure. All of the investments are financed with own resources. Having a strong capital structure and finance capability enables Tavşanoğlu to act more flexible.

13. Tavşanoğlu has good relations with all national banks and has capacity to obtain high amounts of letter of credit.

14. Subsidiary Detay Engine Machine Industry Trade Co. stands as an advantage for importing or producing the necessary machinery while performing turnkey industrial projects.

15. Quantity survey, all accounting and personnel studies are performed by computer network. Internet connection is available in Tavşanoğlu for access to global information.

16. Tavşanoğlu has on going business center construction projects both in Ankara and Istanbul which can be used for rental purposes and for diversification strategies in the future.

17. Tavşanoğlu has a high quality top managers which are the shareholders of the company. The top management has an equilibrium which have risk averse and risk taker dimensions. Saim Tavşanoğlu, president of board of directors has risk averse tendency while Tevhit Şevket Tavşanoğlu, vice president and general manager has a risk taker tendency. Well educated and experienced future top management candidates of company can be considered as the main strengths of Tavşanoğlu.

5.2.2 Weaknesses

1. Tavşanoğlu can be considered as a conservative company in generating new businesses and penetrating into new markets.

2. Since Tavşanoğlu is concentrated in local and national markets, it rarely consider alternatives.

3. Tavşanoğlu does not use political lobbying effectively.

4. Although Tavşanoğlu has a strong capital structure, it is inexperienced in financing big projects. Especially for BOT (Built-Operate-Transfer) projects, high financial strength is highly necessary.

5. Tavşanoğlu has no relations with foreign banks; European and North American banks. Tavşanoğlu has only limited relations with Dressner Bank, Germany.

6. Tavşanoğlu is short-term oriented company and periodical business and operational strategy formation studies are implemented on need basis rather than long term and permanent formations.

7. The group does not place importance on promotional activities. Such promotional activities are essential in introducing company to new clients.

8. Organizational weaknesses exist in Tavşanoğlu. They can not organize operations well, they can not train good personnel and delegate work. All work is conducted by two partners personally and therefore their work load is extensive. Since the owners are managers and they are in all processes of the business there exist management time problem.

9. The information ability and communication problems are also existent. The communication problems lead to large problems in the offices and in the sites.

10. Middle management and staff are not motivated enough and they are not productive as they should be.

11. Recruitment and wage policy and personnel evaluation is not adequate. There is no performance evaluation as well a performance criteria in written form.

12. Attitude of personnel towards the towards their business is not professional. This is especially pronounced for lower-level personnel.

13. The degree of automation is not enough. The data and file transfer with sites and regional offices is not conducted through computer systems. The group have fax-modem and connected to internet but number of people who can utilize this opportunity is not enough.

14. Project scheduling is not performed by relevant software such as MS Project or Primavera. MS Project was used only in Iş Bank project for demonstration purposes.

15. Productivity at job sites and technology utilization is low. There is no R&D activity to adopt new technologies. Tavşanoğlu is mostly imitative rather than innovative in technology development and application.

5.2.3 Opportunities

1. Although it depends on new fiscal policies and other factors but it seems from the 7th Five Year plan displays that the construction sector will achieve an average growth rate of approximately 6%. Since the trend is not decreasing it can be considered as opportunity.

2. Increase in population requires high volume of housing, which in turn will lead to increasing investments in mass housing projects.

3. Rapid urbanization creates needs for new housing and infrastructure facilities.

4. Energy, manufacturing, education and health investments will increase in the next five years. This means that there will be new building and infrastructure investment projects in these sectors.

5. After the Dinar Earthquake in 1995, new housing and infrastructure investments are expected in this region. This is can be considered as an opportunity for all construction sector but especially for Tavşanoğlu, who has accumulated experience on earthquake resistant construction and has regional operations in Afyon area.

6. European integration and socio-economic changes are generating increasing construction needs.

7. Along with Customs Union, direct foreign investments are expected to increase and this should create new construction activities in the industrial sectors.

8. Again along with the Customs Union it will be easier to import and export construction materials. Therefore the import of high quality construction materials and their usage in the construction projects will be facilitated.

9. New business centers will emerging Ankara and in Istanbul in the process of Customs Union.

10. Technological developments and automation in construction sector will increase.

11. R& D incentives in Turkey shall be an good opportunity for construction sector to develop new technologies or apply new technologies easier.

12. Introduction of mortgage bonds in Turkey. New financing model for real estate; business center and housing projects should appear

5.2.4 Threats

1. Unstable economic and political environment in Turkey will effect the construction industry.

2. New investments are quite low while new entrance rates are high in the construction sector. This will increase the competition in the construction in the sector. High discount rates will be observed in tenders and this will affect the whole construction sector especially medium size companies like Tavşanoğlu.

3. Housing investments will decrease in the following years as it is stated in the 7th five year developmental plan. This will effect all SME's negatively who are engaged mainly in building construction like Tavşanoğlu.

4. The engineering and all-risk insurance is not in its place in Turkey as it is in the world.

5. Environmental concerns are gaining importance. There is a need for less energy intensive materials. There is also a tendency for waste management and recycling of construction materials which needs more R&D.

6. With the privatization the nature of demand will change and clients will have different characteristics.

7. The importance of business associations and unions will increase.

8. Customs Union construction regulations are not well known. This will increase uncertainty.

9. Shrinkage in the Middle East construction market as well as the entrance of other low wage competitors to international markets.

10. Turkish Government does not have an integrated national strategy towards overseas contracting neither gives Turkish contractors any administrative and political support.

11. At present Turkey is not a member of Asian Development Bank, nor the African Development Bank. Therefore Turkish contractors have lower chance in these markets.

CHAPTER VI

STRATEGIES FOR TAVŞANOĞLU GROUP OF COMPANIES

6.1 Mission and Objective

Current mission statement of Tavşanoğlu is:

" on time completion of projects with high quality and high reliability."

This mission statement assumes that Tavşanoğlu shall make profits in its expert areas; building and infrastructure construction. Tavşanoğlu should redefine its mission statement by evaluating the capacity of group of companies. The redefined mission statement could be:

"To gain profits in our expert areas as well as developing new markets and new businesses. In doing so, paying attention to business ethics, on time completion of projects with high quality and high reliability in all areas of business."

6.2 Objectives

The current strategic objective is mainly "survival" although there exist developmental ideas. Therefore the objectives should be redefined as well as the mission statement. This could be done according to mission statement as follows:

1. Development in current businesses (expert areas) and current markets.
2. Exploring new markets for current businesses (expert areas)
3. Diversification strategies: new businesses, new markets.

This means existence of survival, development and diversification together.

6.3 Corporate Philosophy

The corporate philosophy must be clear and should be expressed as follows:

1. Company's or group's higher involvement in product/service and technological innovation;
2. A willingness to undertake high-risk construction projects;
3. Initiating rather than imitating the moves of competitors;
4. A desire to seek market opportunities on national and global level;
5. Longer planning horizons; Although it is difficult in the turbulent and cyclic environment.
6. A pattern of horizontal and concentric diversification into non-construction areas.

6.4 Strategies

6.4.1 The Generic Strategies

Table 5.1 Generic Strategies for Tavşanoğlu

		COMPETITIVE ADVANTAGE	
		Lower Cost	Differentiation
COMPETITIVE SCOPE	Broad Target		• Building Construction • Readily Made Concrete Production
	Narrow Target	• Infrastructure projects	

Source: Porter, 1985

6.4.1.1 Building Construction

Tavşanoğlu concentrates on the differentiation in building construction activities. Being in building construction since 1976, Tavşanoğlu is an expert in this area. The differentiation strategy is 'quality differentiation'. Buildings that Tavşanoğlu constructed have been proven to be reliable and resistant to earthquake. Tavşanoğlu have an broad target in building as can be seen from its client list in building construction. Tavşanoğlu completes their 'quality differentiation strategy' with 'image differentiation' as it is mentioned in mission statement:

" on time completion of projects with high quality and high reliability."

Tavşanoğlu must insist on image differentiation and quality differentiation strategies for gaining competitiveness in building construction for private sector projects.

On the other hand for the public projects, since the price sensitivity is very high, price differentiation strategy could be more effective.

6.4.1.2 Infrastructure Construction

Tavşanoğlu has a narrow target in infrastructure projects; this is because there are limited number of clients in this market and Tavşanoğlu has a limited experience in this field. The price sensitivity of public sector imposed Tavşanoğlu to gain a cost focus in the infrastructure projects. But for the following years, Tavşanoğlu must shift to price differentiation strategy.

6.4.1.3 Readily Mixed Concrete

In readily mixed concrete business, the scope of Tavşanoğlu again has a broad target when the competitive scope is considered. Tavşanoğlu serves all companies and individuals who need concrete with in-group companies. The strategy is again quality differentiation strategy. Tavşanoğlu has no competitors in the market for the current time, therefore can insist on quality differentiation strategy for the following periods. By this quality differentiation

strategy, Tavşanoğlu can improve its high quality image and can have an competitive advantage for the following years in case of a competitor entrance to the market.

6.4.2 Eleborating the Core Business

As Igor Ansoff stated an, organization can elaborate in a number of ways. It can develop its product offerings within that business, it can develop its market via new segments, new channels, or new geographical areas, or it can simply push the same products more vigorously through the same markets. The market opportunity matrix below show the ways to elaborate the core business for Tavşanoğlu.

Table 5.2 Market Opportunity Matrix for Tavşanoğlu

		PRODUCTS / SERVICES OFFERED	
		PRESENT PRODUCT SERVICE	NEW PRODUCT SERVICE
MARKETS SERVED	PRESENT MARKETS	1. MARKET PENETRATION Increase sales (projects) regionally in Turkey: Erzincan Afyon Increase sales (projects) nationally in Turkey Dominant market is residential (housing, commercial, industrial, sanitary, social, cultural.etc.	3. PRODUCT SERVICE DEVELOPMENT Enter into new infrastructure projects, especially energy investments, power plant etc. Management contracting and turnkey projects. Subcontracting to large international construction companies. Joint ventures with Turkish contracting and consultancy companies. Developmental projects are the prime focus of attention which are outlined in the seventh five year economic development plans.
	NEW MARKETS	2. MARKET DEVELOPMENT Entry into CIS, Libya, Germany, Tunisia, Lebanon and Eastern Europe markets as subcontractor. Becoming contractor in CIS, Germany, Eastern Europe markets. Dominant market is public sector buildings.	4. DIVERSIFICATION Involving in financing in means of fund management Involving in hotel and tourism business. Exporting, importing, representative services. Manufacturing in non-construction fields. (i.e. textile, food, vessels, dairy products)

Source: Ansoff(1965) with modifications; see also Kaynak and Dalgıç

6.4.2.1 Market Penetration Strategies

Tavşanoğlu should increase the number and amount of projects it undertakes in Erzincan and in Afyon regions where it has on-going projects and regional offices. Because of these on-going projects and regional offices, Tavşanoğlu has the logistic support, engineering and quantity survey personnel and machinery and equipment park. In this manner the mobilization costs could be mostly reduced.

Close relations with Governerships, Municipalities, and Directorate of Construction and Resettlement of those regions are advantages of Tavşanoğlu. The close relations with regional suppliers of wood, cement, steel and clay, is another asset.

Especially for Erzincan region, being the only readily mixed concrete plant, producer of aggregate, distributor of cement and existing in this region for the last twenty years as a contractor Tavşanoğlu must get the bidding of the all the big project in this region. For these big projects Tavşanoğlu must enter the bidding with its individual company Tevhit Şevket Tavşanoğlu , for building projects. For small projects, Tavşanoğlu can use their subsidiary company Ata Construction Co.

For the infrastructure projects Tavşanoğlu Co. and Mata Co can be used as main contractors. These companies could be subcontractors for larger companies which are undertaking large scale infrastructure projects in this region.

Dinar is an new market for Tavşanoğlu to penetrate. Dinar is in the Afyon region and since it is so close to Afyon, Tavşanoğlu can enter this market easily. After the earthquake, construction activities will start at early 1996. The experience of Tavşanoğlu before and after the earthquake is an important advantage.

Tavşanoğlu has a new project in Uşak, the projects in this region are suitable for to start since the mobilization costs will be lower in the region.

Tavşanoğlu has a project in Kayseri which is going on. The projects in this region are suitable for Tavşanoğlu, since the mobilization cost will be lower and it will be possible to utilize the human resource there.

Other than the regions stated above projects which have project value greater than US$ 5.000.000 are suitable for Tavşanoğlu to enter as an main contractor. For larger projects which have a value greater than $ 20.000.000, the companies in the group can enter as subcontractors.

Tavşanoğlu Group should insist on projects of US Department of State Office of Foreign Building and Operations Projects which they already got prequalification. There are few companies in this kind of works and competition is lower than other project group in Turkey. There are approximately sixteen companies entering these projects. Tavşanoğlu Group can easily use price differentiation strategy here and can obtain competitive advantage.

6.4.2.2 Market Development Strategies

Market development strategy is a quite new strategy for Tavşanoğlu Group. So at the initial foreign market entry stage, subcontracting was the most viable alternative for Tavşanoğlu Group to exploit. Tavşanoğlu Group's major concern at this stage was to utilize is own work force and capital equipment in the most productive and cost effective way in the field for as long as possible. Only through subcontracting could Tavşanoğlu Group employ Turkish labor and integrate it with foreign-made raw materials and equipment by using their technical and managerial power to become competitive in the global building industry.

The potential markets for Tavşanoğlu group to enter as subcontractor are Russian Federation, Libya, Kazhakistan, Saudi Arabia, Iraq and Germany where the distribution of works of Turkish International contractors are high and cultural and ethnic characteristics are similar to Turkey. Up to date 196 projects in Libya, 104 project in Russian Federation, 36 projects in Saudi Arabia, 27 projects in Iraq, 18 projects in Kazhakistan, 17 projects in Germany which have been implementing by Turkish contractors.. The chance of Tavşanoğlu Group is higher in Saudi Arabia and Iraq where Kiska has five projects, in Russian Federation where Sutek has two projects. Therefore Kiska and Sutek are the clients of Tavşanoğlu Group,

it is better to start subcontracting abroad with these companies. Güriş is an other alternative for Tavşanoğlu Group, which they have close relations with that company.

The first stage in the internationalization process could be through foreign subcontracting. At later stage, Tavşanoğlu Group can open contracting companies overseas. During this stage the criteria for country selection must be done according to subcontracting experience in those countries as well as environmental similarity to Turkey. This is because past experience has taught the construction companies how to solve problems that are special to environments similar to those at home.

As an inexperienced company, Tavşanoğlu is likely to build into its bid price a large margin to cover uncertainty. However if Tavşanoğlu could gain experience on similar projects as an subcontractor or main contractor, it could offer the lowest bid, since it has fewer uncertainties than the other competitors and cheaper resources.

As a result, Tavşanoğlu should enter foreign markets as a subcontractor of a larger Turkish contractor. The next stage could be subcontracting of an international foreign construction company, which can also be a local company. It would be better for Tavşanoğlu to develop their market as an main contractor after this stage. If the size of the first contract should be tolerable, it will be better.

Traditionally, construction contracts in the Middle East and North Africa are in part financed by means of advance payments. These advances usually amount to 20 % of the total contract value and in some countries it is as low as 10 %. In cases when the advance payments is in sufficient to finance the operation, Tavşanoğlu Group should look for additional financing, which will bring about the problem of project risk financing as well as the country risk. Therefore the other criteria for the foreign project is financing. It will be less riskier for Tavşanoğlu to get contracts which is financed by well known financiers or clients.

Readily Mixed Concrete

After the earthquake, Dinar is an niche market for readily mixed concrete business, Tavşanoğlu can use this opportunity easily. The advantages of Tavşanoğlu are;

1. One of the readily made concrete plants in Erzincan is not used because of the low demand in this region in 1995. Tavşanoğlu can shift the free plant to Dinar.

2. Tavşanoğlu has experience in working in heavy conditions of post earthquake. By establishing a concrete plant in Dinar, it could market the concrete to companies which will undertake have projects in this region as well as its own use for implementing in this region.

6.4.2.3 Product Service Development

Tavşanoğlu is very new in infrastructure projects, so the entrance in infrastructure projects can be considered as product service development. This new product service development is very useful and necessary when the trends in the Seventh Five Year Development Plan is considered. Infrastructure investments are increasing especially in energy sector. New hydroelectric power plants, irrigation projects, drainage and water supply projects will be constructed in the near future. The realization of these projects depend mainly on fiscal policies and Tavşanoğlu must be ready for these projects.

When strategies of entry and control are considered; Tavşanoğlu must follow two actions to develop this new product service development. The first and the most important action is to be a subcontractor to a large international companies in large projects. Since Tavşanoğlu has no experience in power plants and big water supply projects, they should prefer to make collaboration with a contracting and consultancy company. This second action is also a new product service development; forming a joint venture. There exist a potential partner in this joint venture who is a consultancy company with extensive management and application experience in these projects. Tavşanoğlu can form this collaboration as soon as possible.

The next stage of the joint venture will be the management contracting and turnkey projects which is also a new product service development. Since there exists a tendency to design-and-build, management contracting, and turnkey projects in the world, in Turkey, Tavşanoğlu can utilize this opportunity in the near future.

In design-and-build, turnkey and build-operate-transfer projects; the most important problem is the finance. Looking at the new projects in Turkey; it is observed that most of the projects are financed by build-operate-transfer model or through foreign financing. Tavşanoğlu Group should search for financing opportunities with their prospective joint venture partner.

6.4.2.4 Diversification Strategies

Diversification strategies are necessary to cope with the cyclic environment of the construction sector. High competition in domestic and international markets make construction companies enter into some businesses which is not in the same chain of operations.

Real Estate Investment Partnerships:

Tavşanoğlu Group can be interested in Real Estate Investment Partnerships which will manage portfolios consisting of real estates and mortgage bonds; and financing the real estate projects. Land development is also part of these organizations. This is a newly developing business in Turkey, and it is a good way of financing new housing and business center projects. This is could be good opportunity for Tavşanoğlu to enter in this business. The main disadvantages of Tavşanoğlu Group in this business is lack of information and capital requirements.

Insurance Agent:

Insurance industry is a newly developing industry in Turkey and it seems that it will be one of most important sectors by the year 2000. Tavşanoğlu Group should interested in insurance business in agent base.

Advantages of Tavşanoğlu in this business could be;

1. Tavşanoğlu have an huge machinery and equipment park and take out insurance for those machinery and equipment. This is huge amount from the cost consideration. Tavşanoğlu take out insurance by getting the all advantages of insurance company plus an agent fee.

2. Tavşanoğlu have to make all-risk insurance for the projects it undertakes. This is also a huge amount from the cost consideration especially for big projects. Since Tavşanoğlu is aiming to realizing of big scale construction projects it will be good for it to develop such service.

3. The engineering and all risk insurance are so new in Turkey and there is huge potential for these products. Tavşanoğlu can utilize this opportunity by marketing these products to medium-size and large contractors as well as to private house builders and mass housing clients and contractors.

4. The capital requirements for insurance agents is low in Tavşanoğlu's scope.

5. The current agents point of view in insurance business is not professional and it is easy for Tavşanoğlu Group to have competitive advantage in this market.

6. By establishing a company which will only be in insurance business, this company can get the agentship of more insurance companies. This is good because; this company will offer more alternatives to its clients.

Hotel and Tourism Business:

Tourism is one of the sectors which will develop in the 1995-2000 period as it is stated in Seventh Development Plan. Tavşanoğlu could not utilize opportunities in the 1980-1990 period.

Ministry of Tourism is proposing new areas for tourism in 1996 in several parts of Turkey. The ones in the Kayseri-Erciyas region for winter sports and winter tourism could be suitable for Tavşanoğlu.

The advantages of Tavşanoğlu are;

1. Tavşanoğlu has a huge dormitory construction project in Kayseri for Erciyas University. Therefore the region is known well and a hotel could be constructed without any mobilization cost.

2. The scope and size of the projects in that region are varying between 50-200 beds and this is suitable for Tavşanoğlu Group to invest and enter in this business.

The main disadvantage of Tavşanoğlu is having no experience in hotel and tourism business. Therefore Tavşanoğlu needs to develop new and high quality human resource for this business. Another alternative is searching for a partner who has experience in hotel and winter tourism to run the business.

Exporting, Importing and Representative Services:

Customs Union agreement is a good opportunity to make trade with Europe and other markets. In the internationalization process of Tavşanoğlu Group, international trading will play an important role.

The importing dimension of trading should begin with importing of construction materials which are suitable for Turkish market. Strategies for entry and control could be licensing, franchising and long-term contracts. Nowadays, Tavşanoğlu is searching for such products to import and market in Turkey. Tesan Construction Trade Co. is an advantage of Tavşanoğlu in licensing and franchising and long-term contracts.

The second-stage is the exporting dimension. This is could be a new area for Tavşanoğlu Group, they must look for potential markets and potential products to import. The business center construction in Merter-İstanbul shall be an opportunity for them to utilize, since 70% of textile import of Turkey is performed from this area. Tavşanoğlu should enter this market with an experienced national or international partner in marketing base first.

Manufacturing in Non-construction Fields:

This is the last stage of diversification strategies and it can be considered as a unrelated diversification. This stage requires high capital investment since it is a manufacturing initiative as opposed to the fields of service introduced above. Therefore, Tavşanoğlu needs a detailed research and feasibility studies to make manufacturing investments in non-construction fields. The potential fields are textile and food industries.

If the exporting experience in textile products (sub-sectors must be determined) will gave positive results; the entrance to this sector will be facilitated easy for Tavşanoğlu.

6.5 Priorities for Strategies

The priority and scheduling of the recommended strategies are very important for the implementation. When strategies are considered generally, the priorities are as follows;

1. Market penetration strategies,
2. Product service development strategies,
3. Market development strategies,
4. Diversification strategies.

Market penetration strategy is the current strategy of Tavşanoğlu. It should be developed by the generic strategies based on quality and price differention for building and infrastructure construction. In readily mixed concrete business it is essential to utilize the free plant in Dinar in the short term. In the long term a market plan and a feasibility study is necessary for Ankara and Afyon to utilize this plant on one of these cities.(see Appendix E for scheduling)

Product and service development strategy is a quite new strategy for Tavşanoğlu. In the coming period it is essential to enter in the power and industrial market for Tavşanoğlu since both domestic and international trends display this. The studies of forming a joint venture to

deal with such infrastructure should go along with market penetration strategies stated above. Subcontracting to large international construction firms in current products and developed products (energy, industrial) has the second priority in this category. Involving in management contracting and turnkey projects is related with other product and service developments and is the result of these activities. It will be better if it could be realized before the year 2000. (see Appendix E for scheduling)

Market development strategy is also a new strategy for Tavşanoğlu. Market development strategy is very important in squeezing period of domestic market. Tavşanoğlu should enter into foreign markets as a subcontractor of large Turkish Construction Companies, considering the criteria of business environment similar to Turkey. It would be better to start this activity after one year research in 1997. After one or two years time, with a small project Tavşanoğlu should become a contractor in foreign countries.

Among the diversification strategies; exporting, importing and representative service has the highest priority since it will be a good opportunity to utilize the advantages of customs union as soon as possible. Hotel and tourism business has the second priority. The Ministry of tourism is proposing related lands in 1996, so preparation on market plan and on feasibility should begin as soon as possible. Manufacturing in non-construction fields and real estate investment partnership has the lowest priorities because of the high capital requirements. But it would be good to search for alternatives in manufacturing whose priority is higher than real estate partnership. (see Appendix E for scheduling.)

6.6 Structure

It was Alfred Chandler (1962) who first pointed out that structure follows strategy. Therefore, for realization of the strategies recommended above, structure plays an important role. In the current structure there is lack of specialization, as well as no training and high centralization. These features of the current structure affected the productivity of Tavşanoğlu and made it difficult to cope with the rapidly changing environment.

Tavşanoğlu may be regarded as an open system which has free interaction with the environment within which it exist. Tavşanoğlu should integrate itself to this environment with a structure possessing the following features;

Reorganization on project or project group basis in which specialization is important.

The management and technical level employees should have a deeper specialization but with broader-based education and flexibility to work in multi discipline teams.

In the light of the information given above, human resource management and training appears to be the most important features of the new structure of Tavşanoğlu Group of Companies.

6.6.1 Business Development Unit

A business development unit shall be necessary for Tavşanoğlu Group of Companies to implement market expandation, product service development and diversification strategies. This unit should be organized in the form of a multi-disciplinary team because it will deal with construction sector as well as the other sectors for diversification strategies.

Operating adhocracy appears to be very suitable for this unit. This unit should be flexible and organic as well as innovative. Operating adhocracy will innovate and solve the problems of Tavşanoğlu Group of Companies in product service development, market development and diversification to the benefit of the group.

This unit will be responsible to the board of directors and will perform market researches for market development strategies, industry analysis for non construction fields, risk assessments and feasibly studies on proposed projects to determine profit margins and risk premiums.

This unit is the backbone of the new strategies recommended. The adhocracy application in this unit will guide Tavşanoğlu Group of Companies to reorganize the structure.

6.6.2 Project Management Team

This management plan is proposed in order to set up a modern project management in Tavşanoğlu with increasing productivity. This management plan is based on the collaboration and mutual respect of the team members. These teams should be supported by modern project management and time scheduling planning techniques with the related software such as MS Project, Primavera. This team is designed as a multi-discipline team and the job definitions are as follows:

Project Manager :

Appointed by the General Manager and approved by the Board of Directors. Reports to the Board of Directors and the General Manager. Responsible for the timely completion of the projects in accordance with the technical requirements and within the allowable budgets as well as the co-ordination of the contacts with the Head Office and the Site Organization.

Sites Coordinator :

Appointed by the Project Manager and approved by the General Manager. Informs the Project Manager by coordinating all activities for the proper execution of the Project and takes and implements all prompt technical and administrative decisions. Also co-ordinates the activities to be provided by the consultants in technical and administrative matters.

Site Manager :

Responsible for the proper planning and execution of the works at Site. Reports to the Sites Coordinator after planning all personnel and equipment requirements for the Project. Appointed by the Project Manager and the Sites Coordinator and approved by the General Manager.

Chief Engineer (Civil Engineer) :

Responsible for the proper planning of all personnel and equipment requirements of the works under execution (civil, mechanical and electrical), and the completion of the

works according to the time schedule. Reports to the Site Manager after planning all personnel and equipment requirements for the Project. Appointed by the Site Manager and approved by Sites Coordinator.

Quantity Survey Chief Engineer :

Follows up the project execution according to the time schedule. Completed works are updated in the computer with all relevant attachments in a Reporting System and the preliminary accumulation for the project progress is followed every day. This work is executed in a close co-operation with the field engineers and daily, weekly and monthly reports are presented to the Site Manager for activities performed at site.

Chief Engineer (Electrical Engineer) :

Responsible for the proper planning of all personnel and equipment requirements of the electrical works under execution, and the completion of the works according to the Time Schedule. Reports to the Chief Engineer (Civil) after planning all personnel and equipment requirements for the Project. Appointed by the Site Manager and approved by the Sites Coordinator.

Chief Engineer (Mechanical) :

Responsible for the proper planning of all personnel and equipment requirements of all mechanical works under execution, and the completion of the works according to the Time Schedule. Reports to the Chief Engineer (Civil) after planning all personnel and equipment requirements for the Project. Appointed by the Site Manager and approved by the Sites Coordinator.

Logistical Support Chief :

Responsible for the proper supply of all raw and semi-finished material requirements and functioning of the equipment for the works under execution. Reports to the Sites Coordinator after planning all personnel and equipment requirements for the Project. Appointed by the Project Manager and approved by the General Manager.

Chief Administrator :

Responsible for the proper documentation, accounting and personnel applications and keeping all legal documents for the employees and carrying out the correspondence. Establishes proper contacts with the Head Office Organization, in order to apply the standardized procedures needed. Appointed by the Site Coordinator and approved by the Project Manager.

Quality Assurance Chief :

Responsible for the proper control of all works under execution. Appointed by the Project Manager and approved by the General Manager. Responsibility is not limited to the Technical Specifications of the Project , but covers all local and international practices and defined on the basis of reporting to the General Management through the Project Manager.

6.7 Systems

All procedures, formal and informal are considered as systems and the application and control of strategies and efficiency of the structure can be measured by these capital budgeting training cost accounting and budgeting procedures.

Tavşanoğlu Group of Companies should increase its productivity to gain competitiveness in both domestic and international markets so it needs an effective Cost-Accounting/Cost-Control, performance appraisal, and a training system.

Tavşanoğlu needs to develop an appropriate system for quality assurance since the quality differentiation strategy is an important figure of its differentiation strategy.

As a result of the efficient use of the systems proposed above a management information system (MIS) is necessary.

6.7.1 Human Resource Management System

Considering people as a pool of resources to be nurtured, developed, guarded and allocated is one of the many ways to turn the staff dimension of the 7-S framework. Staff is often treated in one of the following two ways: hard end (appraisal systems, pay scales, training) and soft end (morale, attitude motivation).

An organization can cope with the issues above with an effective human resource management policy. Therefore Tavşanoğlu Group of Companies need a human resource management policy for the application of the new strategies effectively. Tavşanoğlu should take a consultancy service from a HR specialist for the first stage than it should hire a HR specialist to establish a Human Resource Management Department for applications.

6.7.1.1 Training

The first stage of human resource management is training. Training will improve current and future performance of the organization by increasing the abilities of the employees. Trained employees will enable the company to be more productive, improve the quality of work so in turn decrease the rework and costs. Tavşanoğlu needs an effective training program for the support staff who is the key part of the new strategies and structure. The training program should target the four groups listed below:

- Top managers
- Coordinators(Administrative/Technical)
- Engineers
- Other office and site personnel
- Workers

Future training needs will be even greater as the pace of technological change increases. Technology will reduce the need for some specialized manual skills on construction sites and create new needs. So professions must adopt themselves to the new technologies and the changes in the construction process.

6.7.1.2 Recruitment and Performance Appraisal Systems

To improve quality, productivity and value for money, Tavşanoğlu must attract and retain competent people. Recruitment of young qualified people is an increasing problem in Tavşanoğlu for site and main office operations. The recruitment criteria should be reorganized according to the new strategies of Tavşanoğlu.

Recruitment and training will need to go hand in hand with the improved employment conditions in order to provide an adequate return to individuals and companies for their investment in human resource and to encourage a more stable employment. Therefore Tavşanoğlu should design and use a performance appraisal system for the administrative and technical personnel based on their output and behavior in order to improve productivity and quality which are very important criteria in gaining competitive advantage.

6.7.2 Subcontracting Management System

- Subcontractors share in a project has increased from 20% to 80% in most of the countries.
- Some projects were interrupted by the failure of the subcontractors and consequently some amount of rework was created to the contractors share.

The first point is displaying the trend in the sector in subcontracting basis, whereas the second one is displaying the difficulty of utilizing a subcontractor. The conclusion to be drawn from these two points is that the subcontractor management is gaining extreme importance in the construction sector. Therefore, Tavşanoğlu should utilize this trend and give importance to subcontracting management:

1. The first stage in subcontractor management is forming a pool of high quality subcontractors. Therefore Tavşanoğlu should set its criteria for a group of subcontractors in order to form a pool. Having a high quality/low cost subcontractor pool would be a important competitive advantage for Tavşanoğlu.

2. Second stage is utilizing subcontractors effectively. Tavşanoğlu should set a sample contract for different contractor groups and should control the subcontractors' activities effectively.

By effective subcontractor management, Tavşanoğlu should lower its financial risks and profitability in projects which have large advance payments.

6.7.3 Quality Management

Quality has an important place in the current and proposed positioning of Tavşanoğlu Group of Companies but the search for quality did not involve a generalized and structured procedure. Tavşanoğlu considers quality is essential factor for competitiveness and progress, and an aid to the development and organization of the company:

- The search for quality makes it possible to reduce production costs because 'non-quality' is costly, whether it appears during the work or after delivery, and defects and losses generate additional costs, delays and lack of client satisfaction.

- Quality is part of brand image of a company. It helps promote better sales provided that it is demonstrated because clients want to have more confidence in their suppliers.

Therefore Tavşanoğlu should adopt quality systems formalized in quality manuals and describing in detail the management of its projects, either with view of safety and improving its internal operation or with a view of marketing and third party certification.

The guide should be the European standards for quality assurance (EN 29000) because with the customs union the dominant standards will be the EN and in this manner, the probable conflicts with the other companies in case of contracting and subcontracting would be greatly reduced.

The quality management system is very related with the recruitment policy and the training systems. The quality management and a quality assurance system should be developed with the aid of these systems.

Tavşanoğlu could observe the advantages of an effective quality management in the long run as follows:

- in economic terms:

  Reduced cost of technical controls (and relaxation of the activities of technical controllers),

  Prompt and more appropriate action by project management when things start to go wrong,

  Fewer errors because of preventation;

- in terms of work climate:

  Fewer disputes and less litigation,

  More awareness of responsibility by its managers and work force.

6.7.4 Management Information System (MIS)

Perfect information and communication is essential for the effective use of the proposed systems and to realize the recommended strategies. This perfect information and communication could be maintained by a MIS system. Tavşanoğlu does not need an MIS system urgently but with the realization of market expandation and product development strategies, it will be essential. MIS system is a company infrastructure investment for Tavşanoğlu. If the application should be established in the company as soon as possible the adaptation of the company to the highly competitive environment will be easier.

MIS should include the following information:

1. Financial and Accounting information,
2. Project Management and Scheduling information,
3. Quality Management Information
4. Environmental Information (Economical, Legal and Technological)
5. Human Resource Information
6. Subcontractor database
7. Supplier database

Accessibility to the files can be controlled and only related groups or persons could reach the related information easily. This system will provide perfect communication in the office-office and office-site relations.

CHAPTER VII

CONCLUSION

In the highly competitive environment of the construction sector, making an analysis of the sector, designating the trends and then synchronizing the activities of the company is essential for the survival of the company. Being a medium size group of companies concentrated in construction, Tavşanoğlu is faced with this competitive edge more than ever. Therefore it is crucial for Tavşanoğlu to think strategically and implement the determined strategies with an effective schedule to survive and expand in the cyclic environment of construction sector.

Considering the information and analysis provided in this study, the elements for such a strategy for Tavşanoğlu could be summarized as follows:

Market Growth:

The result of trend analysis display that market growth has a cyclic character both in domestic and international markets. The forecasts for the domestic market based on the 7th Five Year Development Plan show that the average growth rate will be approximately 6 %, in line with the sector's historical growth trend. When international markets are analyzed, it could be observed that Asian construction market is growing more rapidly than other markets with a growth rate of 21 %. When European market is observed, no short term increase is expected but in the long run a slight increase is probable.

Market Growths in the Sub-sectors:

The potential market for general building construction is decreasing both in domestic and international markets. The future major market will be the large infrastructure construction in all around the world and especially power/energy market is expected to boom in the next five years.

In Turkey, housing investments is expected to decrease from 32.3 % to 23.1 % in fixed capital investments and the public investments are expected to decrease in housing. Energy sector will develop in Turkey with the investment of public sector in the next five years and the share of energy sector in fixed capital investment is expected to increase from 5.5% to 8.5% .

In the world, power market is expected to expand more rapidly. Especially in China and Russia power contracts is expected to increase. Infrastructure investments in Asia, mainly in Russia will increase sharply until 2000. The housing need in Russia will resume the housing construction in the next five years but it will not be as in the 1985-1990 period.

Value for Money in Construction:

The relationship between quality and cost will increase and reliability of service provided to clients in terms of achieving of quality, cost and time targets will gain increasing importance. The awareness of clients will make the construction companies to think more about 'customer satisfaction' in the construction sector.

Competitive Construction Products:

With the encouragement of trade and competition, product development in construction sector will gain importance and competitiveness will increase with the removal of technical and administrative trade barriers. Especially after the Customs Union Agreement Turkey will realize this in the upcoming period. New construction materials will enter the Turkish market and the quality of the local manufacturers' materials will increase due to this competitive environment

Quality:

Quality levels will gradually raise with the typical levels of specification of building and infrastructure products because of the following reasons:

- The value for money in construction will raise sharply
- The competitiveness in construction materials will increase.
- The cost of non-quality will be realized both in domestic and international markets.

Technology:

Technology has changed considerably over the last decade and the pace of this change is likely to increase. New materials, information technology, increasing prefabrication of elements and more on-site mechanization are some of the areas of innovation in the recent years. This trend is expected to increase in the next years with the coordination and effectiveness of R&D.

Construction Process:

New legal and institutional frameworks will be developed and this will permit clients to choose from a range of procurement processes to suit their own circumstances and capabilities within the context of guarantees, insurance and legal liabilities which offers customer the level of protection they require.

Design-and-build and BOT systems will be more effective in procurement systems both in Turkey and in the world. Importance of construction insurance is expected to increase. Therefore project financing and project management will gain increasing importance.

Structure of the Industry:

The industry will develop a structure which combines the flexibility of many specialist and local companies with a number of large contractors. Need for specialization and professional subcontracting will increase in the long-run.

Environment:

Environment will be regarded as the protector, developer and champion of sustainable development and apply new technologies to capture new markets.

Information:

Information will provide a better flow on accurate and timely information at corporate, national and international levels, on which technical and strategic decisions can be taken, and will help create better informed actors in the construction sector.

When strength-weakness analysis for Tavşanoğlu is considered, the main strengths and weaknesses of the group are follows:

Strengths

- Tavşanoğlu has a high regional and national reputation.
- Tavşanoğlu has a positive image on all its clients.
- Tavşanoğlu has a important accumulation of experience in building construction.
- Tavşanoğlu has extensive machinery and equipment park suitable for both building and infrastructure projects.
- Tavşanoğlu has high ability of vertical integration.
- Tavşanoğlu has good relations with all national banks and has capacity to obtain high amounts of letter of credit.

Weaknesses

- Tavşanoğlu can be considered as conservative in generating new businesses and developing new markets.
- Tavşanoğlu is inexperienced in financing big projects.
- Organizational weakness exist in Tavşanoğlu. They can not organize operations well, they can not train personnel good and delegate work.

Recommendations

Acting as a strategic planner to synchronize the Tavşanoğlu Group of Companies' activities with those of the construction environment, the recommended generic strategies are as follows:

- In building construction, Tavşanoğlu has a broad scope and quality differention strategy but it should give more importance to price differentiation strategy in public tenders for gaining a competitive advantage.

- In infrastructure construction, Tavşanoğlu has a narrow target and lower cost strategy, but it should have a price differention strategy in this category for gaining a competitive advantage.

- In readily mixed concrete business, Tavşanoğlu has a broad scope and quality differention strategy, it should continue this strategy for gaining a competitive advantage.

Tavşanoğlu Group of Companies should elaborate the core business with the proposed market opportunity matrix which includes:

1. Market Penetration Strategies,
2. Market Development Strategies,
3. Product Service Development Strategies
4. Diversification Strategies.

Tavşanoğlu should increase its projects regionally and nationally by using the low mobilization cost advantage where it has on-going projects.

Tavşanoğlu should transfer its free concrete batching plant to Dinar to utilize the opportunity there.

Market Development and Product Service Development Strategies forms the important part of the new strategies for the market trends illustrated above. With the implementation of these strategies, Tavşanoğlu will cancel one of its important weakness which is being conservative in generating new businesses and developing new markets.

Among product service development strategies, entering new infrastructure projects especially in the energy market has the highest priority. The realization of this strategy in short term is possible with forming a joint venture with a Turkish contracting and consultancy firm which has management or work experience in that field. Management contracting and turnkey projects have the lowest priority among product service development strategies but should be realized before the year 2000.

Entering into foreign market as a subcontractor and then becoming a contractor is very new strategy for Tavşanoğlu. It would be better for Tavşanoğlu to enter foreign markets with building construction in which it has high experience. After developing infrastructure

experience in domestic market, Tavşanoğlu should give subcontracting service in that field. The major foreign markets are CIS, Libya for subcontracting activity, since there exist a majority of large Turkish contractors in these countries and this is an advantage for Tavşanoğlu for beginning.

Diversification strategies are also very important for Tavşanoğlu since the cyclic environment of construction sector encourage it to deal with businesses other than construction. The priority in diversification strategies is as follows;

1. Exporting, Importing and Representative service,
2. Hotel and Tourism Business,
3. Insurance Agent,
4. Manufacturing in Non-construction Fields,
5. Real Estate Investment Partnership

Exporting and importing and representative services has the highest priority since after the Customs Union international trading is expected to gain importance. Tavşanoğlu should utilize this opportunity as soon as possible. Energy market related products and construction products are the potential products to import.

Hotel and tourism business has also higher priority since this sector has expected to develop in next five years. Tavşanoğlu should enter this business by applying for the proposed areas in Kayseri-Erciyas region for the winter tourism. An experienced partner should be an advantage for Tavşanoğlu to run the business.

Establishing an insurance agent is also a good opportunity for Tavşanoğlu, since construction is gaining importance and capital requirements are not so high.

Real Estate Investment Partnership and manufacturing in non-construction fields have the lower priority because of their high capital requirements. It would be better for Tavşanoğlu to enter in textile sector until the year 2000. The business center of Tavşanoğlu in Merter is an advantage because of marketing and exporting opportunities there.

The main components of the new structure and systems which will increase the competitiveness of Tavşanoğlu Group of Companies are ;

- Human Resource Management:

  Action on training

  Action on Recruitment

- Quality Management:

  Developing quality consciousness

  Applying appropriate Quality Assurances (QA) systems for the companies in the group and leading on total quality management.

- Innovation:

  Improving dissemination of information by MIS.

  Utilizing the incentives for R&D for the coordination of innovation efforts.

A project management team should be set up to increase the productivity and quality in the undertaken projects. This group should be designed as a multi-disciplinary team and be supported by modern planning techniques and related software. The management plan in this team should be based on collaboration and mutual respect of team members.

A business development unit is necessary for Tavşanoğlu to deal with market expandation, product service development and diversification strategies. This unit should organize in multi-disciplinary team form and should do all feasibility studies and marketing plans for new strategies.

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IX

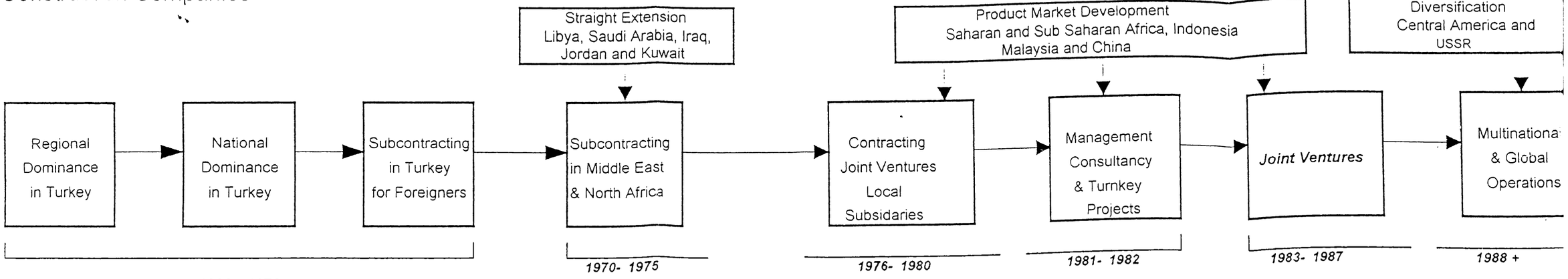
APPENDICES

APPENDIX A

EVOLUTIONARY INTERNATIONALIZATION OF TURKISH CONSTRUCTION COMPANIES

Chart 3

Evolutionary Internationalisation Process of
Turkish Construction Companies



Source: Kaynak, E; et al 'Internationalisation of Turkish Construction Companies:....', Columbia Journal of World Business, Volume 26, No 4, 1992 p69

APPENDIX B

DISTRIBUTION OF TURKISH CONSTRUCTION COMPANIES IN INTERNATIONAL MARKET

TÜRKİYE MÜTEAHHİTLER BİRLİĞİ / ULUSLARARASI MÜTEAHHİTLER BİRLİĞİ ÜYESİ MÜTEAHHİT FİRMALARIN YURTDIŞI İŞLERİ

ÜLKE	FİRMA ADI VE ALDIĞI İŞ ADEDİ	TOPLAM İŞ	İŞİN TUTARI (US $)	TAMAMLANAN İŞ (US $)	DEVAM EDEN İŞ (US $)
FAS	STFA-ENERJİ (1)	1	10,852,500	___	10,852,500
TUNUS	STFA (1)	1	16,000,000	16,000,000	___
LİBYA	BAYTUR (7), BTK (40), DOĞUŞ (18), ENERJİ-SU (6), ENKA (9), ENTES (2), GÜRİŞ (1), KUTLUTAŞ (1),LİBAŞ (19), MESA (3), METİŞ (4), METİŞ&MESA(11) MİMTAŞ (22),SOYAK (52), STFA (28), TEKSER (2) , T.HAZİNEDAROĞLU (1), YAŞAR ÖZKAN (9), ÜSTAY (2)	237	8,381,022,700	6,711,534,536	1,546,944,959
MISIR	MNG (1), STFA-ENERJİ (1)	2	47,370,363	5,903,913	41,466,450
S.ARABİSTAN	ENKA (3), ESTON (12), GAMA (5), GARANTİ-KOZA (1), İDİL (1), İSOT (1), KİSKA (2), NUROL (3), SOYAK (2), STFA (13), TEKFEN (6), YÜKSEL (7)	56	2,818,559,062	2,528,238,983	288,223,167
IRAK	ENKA (1), GAMA (6), GÜRİŞ (8), KİSKA (3), ÖZ-GÜ (7), TEKFEN (5)	30	1,217,505,916	1,210,559,280	6,946,636
KUVEYT	ATTİLA DOĞAN (1), TEKFEN (4), ÜSTAY (1),YAPI MERKEZİ (1)	7	130,379,584	129,099,964	1,279,620
ÜRDÜN	ENKA (8), GAMA (3),STFA-ENERJİ (1)	12	177,810,401	176,204,456	1,605,945
SURİYE	ATTİLA DOĞAN (3)	3	42,873,594	29,983,594	12,890,000
YEMEN	DOĞUŞ (2), TEKFEN (1)	3	108,777,162	103,755,064	___
B.A.E.	GAMA (2)	2	15,300,000	15,300,000	___
İRAN	GAMA (1), STFA (1), STFA-ENERJİ (2)	4	75,317,878	73,896,544	1,421,334
PAKİSTAN	STFA (4)	4	296,093,228	98,715,524	197,377,704
MALEZYA	GAMA (1)	1	53,125,758	1,360,156	51,765,602
		363	13,390,988,146	11,100,552,014	2,160,773,917
ALMANYA	ALARKO (2), ENKA(1), GAMA(1), OTAK (2), PET HOLDİNG (15)	21	251,798,739	104,948,739	146,850,000
ROMANYA	BAYINDIR (1), EKO (2)	3	165,073,521	1,363,000	163,710,521
KKTC	ATTİLA DOĞAN (1)	1	688,000	688,000	___
		25	417,560,260	106,999,739	310,560,521
17 ÜLKE	**29 FİRMA**	**388**	**13,808,548,406**	**11,207,551,753**	**2,471,334,438**

*"Bazı ülkelerdeki işlerde sözleşme kapsamında yapılan değişiklikler veya tasfiye nedeniyle biten ve devam eden işlerdeki [illegible]

TÜRKİYE MÜTEAHHİTLER BİRLİĞİ / ULUSLARARASI MÜTEAHHİTLER BİRLİĞİ ÜYESİ FİRMALARIN YURTDIŞI İŞLERİ

ÜLKE	FİRMA ADI VE ALDIĞI İŞ ADEDİ	TOPLAM İŞ	İŞİN TUTARI (US $)	TAMAMLANAN İŞ (US $)	DEVAM EDEN İŞ (US $)
RUSYA FEDERASYONU	ALARKO (11), ATA(1),BAYTUR (6), EMT (3) ENKA (22), ENTES (5), ESTON (1), FEO (7), GAMA (20), G.-KOZA(1), HAZ.&ÖZKAN(1), İDİL (8), KİSKA (1), KORAY (1), MENSEL JV (11), MESA (1), MİR (18), PET HOLDİNG (8), SİBTEK (31),SOYAK (2), SUTEK (3), TEKFEN (2), TEKSER (4), TEPE (1), T.HAZİNEDAROĞLU&Y.ÖZKAN (6), YAPI MERKEZİ (1), ZAFER (1)	177	5,005,039,478	2,264,130,140	2,740,909,338
BEYAZ RUSYA	ENKA (3), TEKSER (1)	4	316,320,000	294,470,000	21,850,000
UKRAYNA	TEKSER (3), TEPE (4)	7	212,715,000	152,365,000	60,350,000
GÜRCİSTAN	BAYTUR (1)	1	45,000,000	45,000,000	———
LETONYA	BOROVA (1), PAKPAŞ (2)	3	46,029,036	45,021,864	1,007,172
LİTVANYA	ZAFER (1)	1	136,863	130,020	6,843
AZERBAYCAN	ATTİLA DOĞAN (1), PET HOLDİNG (3), T.HAZİNEDAROĞLU (1), YÜCELEN (1), ZAFER (1)	7	237,938,500	24,325,667	213,612,833
TÜRKMENİSTAN	ALARKO (2), EKPAR (24), GAMA (2), MENSEL JV (5), STFA-ENERJİ (1),SUMMA (6), ÜÇGEN (8)	48	363,128,597	155,156,243	207,972,354
ÖZBEKİSTAN	MENSEL JV (1), YÜKSEL (1)	2	38,645,000	2,027,250	36,617,750
KAZAKİSTAN	ALARKO (1), ENKA (1), ENTES (3), KORAY (1), MİR (3), ÜÇGEN (4), ZAFER (8)	21	585,555,176	195,136,767	390,418,409
KIRGIZİSTAN	ENKA (1), ENTES (1)	2	37,600,000	4,500,000	33,100,000
11 ÜLKE	38 FİRMA	273	6,888,107,650	3,182,262,951	3,705,844,699

APPENDIX C

PROJECTS OF TAVŞANOĞLU GROUP OF COMPANIES

COMPLETED PROJECTS

ON-GOING PROJECTS

TAVŞANOĞLU CONSTRUCTION TOURISM AUTOMOTIVE INDUSTRY AND TRADE CO.

EXPERIENCE: RELEVANT PROJECTS COMPLETED

Name of the Employer	*Name, location and type of projects*	*Name of (Consulting) Engineer responsible for supervision*	*Contract Price and date*	*Percentage of participation of company in project*	*Was contract satisfactorily completed including time provision*
MINISTRY OF CONSTRUCTION AND SETTLEMENT	İSTASYON AND BEYBAĞI DISTRICTS 2nd PART 225 HOUSING PROJECT, ERZİNCAN		$ 4.902.674 12.11.1976	100 %	
3rd ARMY CONSTRUCTION AND REAL ESTATE HEADQUARTERS	ALARM AND SETTLEMENT FACILITY CONSTRUCTION (4 BLOCKS), ERZİNCAN		$ 2.085.612 08.08.1979	100 %	
3rd ARMY CONSTRUCTION AND REAL ESTATE HEADQUARTERS	ALARM AND SETTLEMENT FACILITY CONSTRUCTION (3 BLOCKS), ERZİNCAN		$ 1.694.109 10.10.1979	100 %	
3rd ARMY CONSTRUCTION AND REAL ESTATE HEADQUARTERS	H.A.I.T INFRASTRUCTURE AND 9 BLOCKS CONSTRUCTION, ERZİNCAN		$ 20.103.896 10.10.1979	100 %	
DIRECTORATE OF RURAL AFFAIRS	EDEBUK VILLAGE 77 HOUSING, ADMINISTRATIVE - SOCIAL FACILITIES AND INFRASTRUCTURE PROJECT, ERZINCAN		$ 2.303.858 18.08.1981	100 %	

Name of the Employer	*Name, location and type of projects*	*Name of (Consulting) Engineer responsible for supervision*	*Contract Price and date*	*Percentage of participation of company in project*	*Was contract satisfactorily completed including time provision*
3rd ARMY CONSTRUCTION AND REAL ESTATE HEADQUARTERS	3 rd ARMY FACILITIES CONSTRUCTION, ERZİNCAN		$ 7.901.433 23.10.1981	100 %	
MINISTRY OF CONSTRUCTION AND SETTLEMENT	İSTASYON AND BEYBAĞI DISTRICTS 225 HOUSING INFRASTRUCTURE PROJECT, ERZİNCAN		$ 20.552.245 12.11.1981	100 %	
MINISTRY OF DEFENSE ERZURUM CONSTRUCTION AND REAL ESTATE HEADQUARTERS	ERYATAĞI 1X3 BLOCKS SOLDIER'S DEPARTMENT CONSTRUCTION, ERZİNCAN		$ 840.608 04.09.1984	100 %	
MINISTRY OF DEFENSE ERZURUM CONSTRUCTION AND REAL ESTATE HEADQUARTERS	M.I.B 1X3 BLOCKS SOLDIER'S DEPARTMENT CONSTRUCTION, ERZİNCAN		$ 840.608 08.10.1984	100 %	
GOVERNERSHIP OF ERZİNCAN	20 HOUSES FOR NATIONAL EDUCATION HEADQUARTERS		$ 292.168 14.01.1985	100 %	
GOVERNERSHIP OF ERZİNCAN	ÇAYIRLI - YUKARI KARTALLI 91 HOUSING PROJECT, ERZİNCAN		$ 1.612.020 13.06.1986	100 %	
DIRECTORATE OF RURAL AFFAIRS 10th DISTRICT	TERCAN - ÇAKMAKLI VILLAGE 61 HOUSING AND INFRASTRUCTURE PROJECT, ERZİNCAN		$ 550.728 01.09.1986	100 %	

Name of the Employer	*Name, location and type of projects*	*Name of (Consulting) Engineer responsible for supervision*	*Contract Price and date*	*Percentage of participation of company in project*	*Was contract satisfactorily completed including time provision*
GOVERNERSHIP OF ERZINCAN	TERCAN CHIEF SECURITY OFFICE CONSTRUCTION, ERZİNCAN		$ 326.558 17.05.1986	100 %	
3rd ARMY CONSTRUCTION AND REAL ESTATE HEADQUARTERS	ERZİNCAN MILITARY HOSPITAL CONSTRUCTION ERZİNCAN		$ 6.582.910 23.10.1986	100 %	
MINISTRY OF INDUSTRY AND TRADE	ŞEREFLİKOÇHİSAR SMALL INDUSTRY SITE 250 WORKSHOPS AND SOCIAL FACILITIES CONSTRUCTION, ANKARA		$ 5.485.206 13.07.1987	100 %	
MINISTRY OF INDUSTRY AND TRADE	AKSARAY SMALL INDUSTRY SITE 302 WORKSHOPS CONSTRUCTION, AKSARAY		$ 4.768.039 13.07.1987	100 %	
GOVERNERSHIP OF ERZİNCAN	GOVERNMENT HOUSE CONSTRUCTION, ERZİNCAN		$ 3.495.523 28.11.1988	100 %	
GOVERNERSHIP OF ERZINCAN	ERZİNCAN STATE HOSPITAL COMPLETION (60 BEDS), ERZİNCAN		$ 1.176.996 25.09.1989	100 %	

Name of the Employer	*Name, location and type of projects*	*Name of (Consulting) Engineer responsible for supervision*	*Contract Price and date*	*Percentage of participation of company in project*	*Was contract satisfactorily completed including time provision*
MINISTRY OF INDUSTRY AND TRADE	ÇAY SMALL INDUSTRY SITE 200 WORKSHOPS AND SOCIAL FACILITIES CONSTRUCTION, AFYON		$ 4.299.408 25.05.1990	100 %	
GOVERNERSHIP OF AFYON	ÇAY HIGH SCHOOL CONSTRUCTION, AFYON		$ 684.190 30.07.1990	100 %	
VAKIFLAR GENERAL MANAGEMENT	VAKIF HIGH SCHOOL DORMITORY CONSTRUCTION, ERZİNCAN		$ 913.895 09.07.1990	100 %	
AFYON MUNICIPALITY	BRIGADE TYPE OFFICERS CLUB AND HOTEL CONSTRUCTION, AFYON		$ 1.366.250 26.09.1990	100 %	
T.E.K TURKISH ELECTRIC CORPORATION GENERAL MANAGEMENT	E.D.M. SERVICE FACILITY AND RESIDENCES COMPLEX,		$ 3.101.480 08.10.1990	100 %	
PTT POSTAGE TELEPHONE TELEGRAPH GENERAL MANAGEMENT	TYPICAL WAREHOUSE CONSTRUCTION, ERZİNCAN		$ 805.420 14.06.1991	100 %	
PTT POSTAGE TELEPHONE TELEGRAPH GENERAL MANAGEMENT	HEAD OFFICE SERVICE BUILDING CONSTRUCTION, ERZİNCAN		$ 1.709.458 20.08.1991	100 %	
MINISTRY OF CONSTRUCTION AND SETTLEMENT	DIRECTORATE 0F AFYON CONSTRUCTION AND SETTLEMENT SERVICE BUILDING, AFYON		$ 1.150.000 01.09.1991	100 %	

Name of the Employer	*Name, location and type of projects*	*Name of (Consulting) Engineer responsible for supervision*	*Contract Price and date*	*Percentage of participation of company in project*	*Was contract satisfactorily completed including time provision*
GOVERNERSHIP OF ERZİNCAN	NATIONAL LOTTERY ANADOLU HIGH SCHOOL CONSTRUCTION, ERZİNCAN		$ 1.850.000 01.10.1992	100 %	
GOVERNERSHIP OF ERZİNCAN	DIRECTORATE OF PRIVATE ADMINISTRATION		$ 1.094.000 22.10.1992	100 %	
AYDIN ORGANIZED INDUSTRY ENTREPRENEURS ASSOCIATION	ORGANIZED INDUSTRY REGION INFRASTRUCTURE CONSTRUCTION, AYDIN		$ 1.100.000 21.01.1993	100 %	
TURKİYE İŞ BANK GENERAL MANAGEMENT CONSTRUCTION AND REAL ESTATE HEADQUARTERS	SERVICE BRANCH AND RESIDENCES CONSTRUCTION, ERZİNCAN		$ 1.100.000 23.06.1994	100 %	
REPUBLIC OF TURKEY PRIME MINISTRY HOUSING DEVELOPMENT ADMINISTRATION-SUTEK CONSTRUCTION CO.	ERZİNCAN COOPERATIVE HOUSES REHABILITATION AND RESTRUCTURING PROJECT CONTRACT NO: 3, ERZİNCAN	SUTEK CONSTRUCTION CO.	$ 26.564.332 20.06.1994	26.05 %	

TAVŞANOĞLU CONSTRUCTION TOURISM AUTOMOTIVE INDUSTRY AND TRADE CO.

EXPERIENCE : ALL PROJECTS ON PROGRESS

Name of the Employer	*(Consulting) Engineer responsible for supervision*	*Name, location and description of works*	*Percentage of company in the project*	*Value of contract*	*Value completed and certified*	*Percentage of practical completion*	*Scheduled date of completion of work*
MINISTRY OF INDUSTRY AND TRADE		AFYON II. SMALL INDUSTRY SITE 1000 WORKSHOPS AND SOCIAL FACILITIES CONSTRUCTION PROJECT, AFYON		$ 13.150.000.			
MINISTRY OF CONSTRUCTION AND SETTLEMENT		CREDIT AND DORMITORIES ORGANIZATION ERCİYAS UNIVERSITY STUDENT DORMITORIES, KAYSERİ		$ 6.712.800 24.09.1990			
MINISTRY OF CONSTRUCTION AND SETTLEMENT		CREDIT AND DORMITORIES ORGANIZATION STUDENT DORMITORIES, ERZİNCAN		$ 6.853.000 24.09.1990			
DIRECTORATE GENERAL OF CITIES BANK 14th DISTRICT		ERZİNCAN MUNICIPALITY PLACE CONSTRUCTION, ERZİNCAN		$ 5.000.000 03.05.1991			

Name of the Employer	*(Consulting) Engineer responsible for supervision*	*Name, location and type of projects*	*Percentage participation of company in project*	*Value of contract*	*Value completed and certified*	*Percentage of practical completion*	*Scheduled date of completion of work*
ERZİNCAN MUNICIPALITY		MUNICIPALITY BUSINESS AND TRADE CENTER (ERZİNCAN GALLERIA), ERZİNCAN		$ 4.000.000 02.04.1993			
AFYON KOCATEPE UNIVERSITY		ENGINEERING FACULTY CONSTRUCTION PROJECT, UŞAK		$ 5.000.000 16.01.1995			
MINISTRY OF INDUSTRY AND TRADE		ERZİNCAN SMALL INDUSTRY SITE 50 WORKSHOPS AND SOCIAL FACILITIES CONSTRUCTION, ERZİNCAN		$ 1.000.000 02.06.1995			
GOVERNERSHIP OF ERZİNCAN		MÜFTÜLÜK COMPLEX, ERZİNCAN		$ 4.278.000 1st Contract: 15.10.1991 2nd Contract: 15.06.1995			
TAVŞANOĞLU CO.		SIIHIYE- SEZENLER BUSINESS & TRADE CENTER, ANKARA		$ 2.000.000 15.07.1995			
TAVŞANOĞLU CO.		MERTER TEXTILE PLAZA, İSTANBUL		$ 6.000.000 01.07.1995			

APPENDIX D

COMPETİORS OF TAVŞANOĞLU GROUP OF COMPANIES IN VARIOUS PROJECT GROUPS

COMPETITORS OF TAVŞANOĞLU GROUP OF COMPANIES IN VARIOUS PROJECT GROUPS

	INFRASTRUCTURE CONSTRUCTION MAJOR CLIENTS: STATE HYDRAULIC WORKS STATE HIGHWAYS	*BUILDING CONSTRUCTION* MAJOR CLIENTS: MINISTRY OF CONSTRUCTION AND RESETTLEMENT
1.	GÜNSAYIL	ÇAĞDAN
2.	CENGİZ	CEYLAN
3.	ÖN-GÜN	HAŞEMOĞLU
4.	AYHANLAR	TEKSER
5.	GÖÇAY	ÖZDEMİR
6.	LİBYA	VİNSAN-VEZİROĞLU
7.	FEZA	ALSAR İNŞAAT
8.	ENTES	AKYOL+ MEHMET POTAS
9.	POLAT	EDİP GÜRCÜN
10.	BAYTUR	AGE
11.	GÖLSAN	A. OSMAN ÖZMEN
12.	ASKA	NUR
13.	E.G.	ÜNAL TUR
14.	0. EVİN	ÇOLAKOĞLU
15.	BAL-İŞ	KAYA
16.	MAKİMSAN	YILMAZLAR
17.	ALKA	YÜKSEL
18.	ÖZDEMİR	ÖZALTIN
19.	BEĞEN	İSTAŞ
20.	M. GÜNEŞ	GENÇ
21.	MAKYOL	ECE
22.	ÜSTYAPI	SARTAŞ
23.	MÖN	CEMİL ÖZGÜR
24.	SİSTEM	DOĞAN
25.	EMEK	BUGATO+TEKCAN
26.	KOLİN	EKİNCİLER
27.	LİMAK	EKİNTAŞ
28.	ÖZ	METİŞ
29.	ÖSAK	KAYALAR
30.	YÜKSEL	CENGİZ
31.	HASKO	ORTEK
32.	METİŞ	GESTAŞ
33.	AYDIN	RUTO
34.	EKSEN	DİYMAR
35.	EKO	ŞEREFOĞLU
36.	CEMİL ÖZGÜR	TEPE
37.	AKFIRAT A.Ş	FEZA
38.	TAVŞANOĞLU	AKSOY
39.	TUBİN	AKER
40.	FERNAS A.Ş.	EMAT
41.	ÖZIŞIK	YAVUZLAR
42.	KİSKA A.Ş.	ERTUĞRUL
43.	CEYLAN A.Ş.	YENİGÜN
44.	STY	M. SALİH ŞİRİN
45.	SARTAŞ	M. GÜNEŞ-N.HAKGÖREN
46.	VARLIBAŞLAR	AKFIRAT
47.	GÜNTEKİN A.Ş.	ZİTAŞ

48.	GÜLSAN	FERNAS
49.	EMEK	BİNGEN
50.	A. NİHAT ÖZSAN	ILGAZ
51.	MAPA A.Ş.	KUR
52.	ALKA - BATU - BAYKA	DAĞ YAPI
53.	AHMET AYDENİZ	BALTAŞ
54.	T. HAZNEDAROĞLU - ÖZTAŞ	ÖZYAPI
55.	ZİYA ÇARMIKLI A.Ş.	ERS
56.	KOÇYİĞİT LTD.	
57.	ÇOLAKOĞLU	
58.	SANTİMAŞ	
59.	SETAŞ A.Ş.	
60.	TEKYAPI LTD.	
61.	AKYAPI	
62.	DUYGU A.Ş.	
63.	BİNGEN YAPI SAN. A.Ş.+İNCEL SAN. A.Ş.	
64.	AYDIN A.Ş.	
65.	BAYAZIT A.Ş.	
66.	YAPI PROJE MERKEZİ A.Ş.	
67.	AÇIK LTD.	
68.	GÖNÇ İNŞAAT SAN. TİC. LTD.	
69.	AYDINER A.Ş.	
70.	NUR İNŞAAT A.Ş.	
71.	YAPI ÜRETİM A.Ş.	
72.	ERS İNŞ. SAN. A.Ş.	
73.	ŞEREFOĞLU LTD.	
74.	ÖZALTIN A.Ş.	
75.	ÇELİKLER A.Ş.	
76.	M ve B YAPI İNŞ.	
77.	İKİZ İNŞAAT	
78.	KAYA İNŞ. LTD.	
79.	BAŞAK - ŞEN	

APPENDIX E

SCHEDULING OF RECOMMENDED STRATEGIES

SCHEDULING OF RECOMMENDED STRATEGIES

	1996	*1997*	*1998*	*1999*	*2000*
MARKET PENETRATION STRATEGİES					
Increase Projects Regionally					
Increase Projects Nationally					
MARKET DEVELOPMENT STRATEGIES					
Entry into Foreign Markets (CIS, Eastern Europe, Germany,Libya, Lebenon) as Subcontractor					
Becoming Contractor in Foreign Markets					
PRODUCT SERVICE DEVELOPMENT STRATEGIES					
Entering into New Infrastructure Projects (Energy, irrigation, industrial)					
Joint Venture with Turkish Contracting and Consultancy Firms					
Subcontracting to Large international Construction Firms					
Management Contracting and Turnkey Projects					

	1996	*1997*	*1998*	*1999*	*2000*
DIVERSIFICATION STRATEGIES					
Real Estate Investment Partnership					
Insurance Agent					
Hotel and Tourism Business					
Exporting, Importing and Representative Services					
Manufacturing in Non-Construction Fields					